FINANCIAL TIMES

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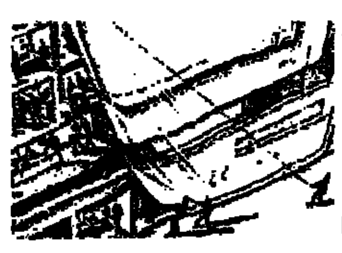

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World Business Newspaper http://www.FT.com WEDNESDAY MAY 14 1997

Industry leaders seek single law for EU companies

An attempt to break the 25-year deadlock on proposals for a single European company statute has been mounted by industrial experts led by Viscount Etienne Davignon (left), chairman of Société Générale de Belgique. The statute would allow companies with operations in more than one member state to be governed by *one law, applicable in all EU* countries. At present businesses have to tailor their operations to comply with up to 15 different sets of company laws which critics says adds huge administrative costs. Page 14; The waiting game, Page 12

Albania in turmoil: Albania was plunged into political turmoil as opposition parties said they would boycott next month's general election *over the refusal of President Sali Berisha's* Democratic party to modify the controversial election law.

Price cuts hit Deutsche Telekom: Deutsche Telekom's revenues from outgoing international telephone calls fell by almost 20 per cent last year, taking the edge off strong annual results. The company blames price cuts *and stiff competition. Page 15; Lex, Page 14;* Bidders for Retevisión, Page 18

Eurotunnel told to improve safety: Eurotunnel, which operates the Channel tunnel between England and France, was ordered to tighten safety procedures after an inquiry into the tunnel fire of last November found "fundamental weaknesses" in the company's safety management. Page 9

Bank says UK rates should rise: The newly independent Bank of England warned that UK interest rates would need to rise because domestic spending was growing too quickly to keep inflation under control. Page 9

Costs cut Nintendo profits: Japanese games group Nintendo, which is vying with Sony for market dominance, reported an 8 per cent fall in annual pre-tax profits to Y109.4bn ($868.3m) when it was building a hardware base for its new Nintendo 64 games system. Page 15

Novartis buys US business: Swiss drugs company Novartis is buying the crop protection business owned by US drugs company Merck for $910m. The acquisition gives Novartis a significant US presence in insecticides, fungicides and herbicides. Page 15.

ICI seals $8.5bn loan: *Imperial Chemical* Industries of the UK negotiated an $8.5bn loan to finance its acquisition of Unilever's chemicals business, in what will be Europe's largest syndicated loan. Page 22

Gazprom faces reform: Boris Nemtsov, Russia's reforming first deputy prime minister, is to head a government board to "introduce *order" at Gazprom, the giant gas monopoly.* Page 14

US spending slows: US consumer spending slowed in April following its explosive growth in the first three months of the year. *Retail sales* fell by a seasonally adjusted 0.3 per cent last month, the first decline for six months, the Commerce Department reported. Page 4

Bomb explodes in Beijing: At least one person died in a bomb blast in Beijing close to the Great Hall of the People, where China's leaders meet. Chirac to clinch trade deals in China, Page 8

El Al seeks to stem losses: Directors of El Al, Israel's loss-making state-owned airline, will consider measures to turn round the company's fortunes following an estimated losses of $80m last year. Page 6

Israeli ambassador quits: Israel's new ambassador to Jordan resigned after prime minister Benjamin Netanyahu failed to inform him in advance of his meeting last week with King Hussein. Page 6

Owing to transmission difficulties we were unable to update Liffe financial futures and options on pages 22, 23 and 30 for this edition.

FT.com: *the* FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,296.65	(+3.30)
NASDAQ Composite	1,341.76	(-2.43)
Europe and Far East		
CAC40	2,719.58	(+26.49)
DAX	3,595.15	(+19.78)
FTSE 100	4,691.0	(+21.4)
Nikkei	20,129.11	(-14.40)

US LUNCHTIME RATES

Federal Funds	5 7/8%
3-mth Treas Bills: Yld	5.155%
Long Bond	96 31/32
Yield	6.885%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(6 15/32%)
UK: 10 yr Gilt	101 15/32	(102⅛)
France: 10 yr OAT	99.38	(99.34)
Germany: 10 yr Bund	102.06	(102.18)
Japan: 10 yr JGB	103.454	(102.815)

NORTH SEA OIL (Argus)

Brent Dated	$19.40	(19.44)

GOLD

New York: Comex		
(May)	$349.5	(347.7)
London:		
close	$348.15	(350.05)

DOLLAR

New York: lunchtime		
£	1.633	
DM	1.696	
FFr	5.7149	
SFr	1.43865	
Y	118.775	
London:		
£	1.6319	(1.6248)
DM	1.6972	(1.7004)
FFr	5.7184	(5.732)
SFr	1.4367	(1.4356)
Y	119.0	(118.495)
Tokyo close:	Y 119.50	

STERLING

DM	2.7697	(2.7628)

9 770174 736135 20

Action charges 'deliberate infringement' of microprocessor patents

Digital suit challenges Intel

By Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, has been accused of "wilful and deliberate infringement" of microprocessor patents by Digital Equipment, one of the largest US computer companies.

In a lawsuit, Digital charges that Intel unlawfully used technologies invented and patented by Digital to achieve high performance in its Pentium microprocessors, including the latest *Pentium II chips* as well as earlier Pentium Pro and Pentium devices.

If successful, the lawsuit could disrupt the worldwide computer industry. Digital is seeking an injunction to prevent Intel using the disputed technology in its products.

These chips are the "brains" of most personal computers sold in the past three years. Intel has an estimated 85 per cent of the world market for PC microprocessors.

Intel said it was "surprised" by the lawsuit, noting that it had close business ties to Digital as both a customer and supplier. "The first we heard of this was via the press release," an Intel official said.

With its lawsuit, filed on Monday in a federal court in *Massachusetts, Digital's home* state, the company is also seeking unspecified monetary damages as well as asking the court to assess triple damages based on Intel's alleged "wilful" misuse of its technology.

The monetary award could be "huge", said Mr Robert Palmer, Digital chairman and chief executive. Intel's profits in fiscal 1996 were more than $5bn, and this could be a starting point in arriving at damages, he said.

Intel's net income for the past three years was more than $11bn. Digital, in contrast, struggled to make a profit, recording losses in fiscal 1996 and 1994 with meagre profits in 1995.

The decision to file suit against Intel had not been *taken lightly, Mr Palmer said.* He said Digital was "fully prepared to take on the case" at whatever cost.

Digital's problems were linked to its slow response in the 1980s to rapid technology changes. A pioneer in the era of minicomputers, Digital has struggled since.

In particular, its flagship Alpha microprocessors, used in high-performance workstations and servers, have not achieved the success the company had hoped.

Over the past nine months, Digital had become increasingly suspicious that Intel was using its patented technology to enhance the performance of Pentium microprocessors, Mr Palmer said. Having examined the Intel chips, Digital found *"substantial similarities" to* Alpha microprocessors.

Ten patents filed between 1988 and 1996 and covering aspects of high-performance microprocessor design have been infringed, Digital alleges.

The patents at issue in the Digital lawsuit cover ways in which data is stored in a "cache memory", or fast memory device, "pipelining" and other techniques used to accelerate the processing of data in a microprocessor.

These are design elements of "Reduced Instruction Set Computing" (Risc) devices, which Digital helped to pioneer. In the early 1990s, Risc microprocessors were expected to supplant Intel's designs, which used more complex instructions, but Intel has successfully *blended elements of both* types of architecture in its Pentium chips.

Intel's shares declined on news of the lawsuit to $155⅞, down from Monday's $159⅝. Digital was up $1¼ at $34⅝.

'War plan' to stifle European currency speculation

By Lionel Barber in Brussels

Luxembourg, *due to* hold the next EU presidency, is preparing a "war-plan" to head off speculative attacks in the financial markets that could threaten economic and monetary union.

Under the plan, one option would be for EU leaders to *agree bilateral conversion* rates for currencies in the future euro bloc later this year, well in advance of the planned launch of Emu on January 1 1999.

Alternatively, EU leaders would announce conversion rates immediately after deciding in *May 1998 which* countries *had* met the Maastricht treaty targets to enter Emu.

The first option would in *effect prejudge the political* decision on which countries qualify for Emu in the interests of market stability.

It is being discussed among EU central bank governors, worried that the recent calm in the markets could end abruptly as traders start to guess which countries qualify.

Another concern is that external factors such as a slide in the dollar, victory by *the opposition Socialist party* in France's parliamentary elections this month, or renewed jitters about a shortfall in German tax revenues, could provoke renewed currency volatility.

Mr Jean-Claude Juncker, Luxembourg's prime minister, said in an interview with the FT that the EU had failed to respond to the "catastrophe" in 1992-93 when speculation against European currencies led to the break-up of the old Exchange Rate Mechanism.

"I don't want the markets stopping Emu at the last minute," said Mr Juncker. A senior Grand Duchy official agreed: "We are not going to have a St Bartholomew's Day massacre."

Luxembourg is due to take over the six-month-long rotating EU presidency from the

Continued on Page 14
Personal view, Page 12
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Boeing warns of trade war if EU opposes merger

By Michael Skapinker in London and Emma Tucker in Brussels

Boeing yesterday warned the European Commission that it risked provoking a transatlantic trade war if it tried to block the US group's proposed merger with McDonnell Douglas.

Boeing said that if the US Federal Trade Commission approved the merger and the Commission attempted to impede it, "we could have problems" between Washington and Brussels.

Boeing is concerned the Commission might impose a fine on the merged group of 10 per cent of its revenues. Boeing and McDonnell Douglas, whose merger would create the world's biggest aerospace and defence group, expect to have combined revenues of $48bn.

The Seattle-based aircraft maker was responding to statements by Mr Karel Van Miert, EU competition commissioner, who has described the proposed merger as "extremely problematic" and has insisted that Brussels has the right to stop it.

Mr Van Miert has also described as "out of the question" the decision by American Airlines and Delta Air Lines of the US to appoint Boeing as their exclusive aircraft sup*plier for 20 years.*

Boeing said that while it had responded to all Mr Van Miert's requests for information, it reserved its right to *challenge the Commission's* jurisdiction over the proposed merger. It said it rejected the idea that the Commission had jurisdiction over the exclusive aircraft supply deals between US companies.

The Commission is expected to set out its objections to the proposed merger over the next 10 days. But Boeing said Mr Van Miert's statements suggested he might have prejudged the issue.

Boeing pointed to the political support it had received from Mr Al Gore, US vice-president, who told a Seattle newspaper this month that the administration would take "whatever action is appropriate" to prevent the EU from impeding the merger. A bipartisan group of seven US Senators has also written to President Bill Clinton accusing the EU of prejudging the merger.

Mr Van Miert yesterday rejected the Senators' accusation. He insisted that the Commission's investigation – now in its third month – was being conducted strictly along the legal lines and criteria of the EU's merger regulation.

He said: "Our analysis is based on facts and figures, not on so-called 'political issues'. The Commission examines this *file strictly on its own merits."*

General John Shalikashvili, front right, chairman of the US joint chiefs of staff, is offered directions by his opposite number in *the Chinese People's Liberation* Army, General Fu Quanyou, left, during a welcoming ceremony at Beijing's military museum at the start of a four-day visit to China. Picture: Reuter

Norway may invest half its oil fund on stock markets

By Michael Morgan in London and Hilary Barnes in *Copenhagen*

Norway, the world's largest oil exporter after Saudi Arabia, is proposing to invest up to 50 per cent of its State Petroleum Fund on foreign stock exchanges from the start of next year.

The fund, administered by the central bank, in effect acts as a national piggy-bank for budget surpluses generated by Norway's oil revenues. It currently invests only in low-risk, foreign government securities.

The finance ministry says that by 2002 the fund could grow to about NKr425bn ($59.7bn), or 30 per cent of gross domestic product, from today's level of NKr50bn.

Mr Jens Stoltenberg, the finance minister, said yesterday that in the long term investments in equities gave higher returns than government securities. Diversification into stocks would also reduce the fund's risk exposure. The ministry's preliminary assessment is that equities should account for between 30 and 50 per cent of investments.

Mr Stoltenberg said that investments would be made through large and long-established exchanges such as London, New York, Paris, *Copenhagen and Stockholm.*

The portfolio would include large blue chips and smaller stocks, with the purchases channelled through a number of brokers, which would be measured against one another.

Authority for the investment will be issued in guidelines for the fund, to be published in the autumn for implementation from January 1 1998, provided the Storting, the parliament, does not object.

Last year Norwegian oil and gas output totalled 222m cubic metres oil equivalents and is *expected to peak at about 292m* cubic metres in 2001, before gradually falling over the following five or six decades.

Government revenue from taxes and royalties on oil and gas production, and from state oil company profits , will generate a Nkr59.7bn central government budget surplus in 1997, while the general government surplus (on the Maastricht definition) is expected to reach 6.8 per cent of GDP.

The petroleum fund was established in 1990 to act as a buffer for Norwegian economic policy, and to underwrite the country's pension payments.

In London fund managers said the finance ministry had appointed investment consultants to advise on which asset managers to employ to invest the funds.

The consultants are currently drawing up benchmarks ahead of conducting European-wide fund management beauty parades later this year.

"Every fund manager in *London and Amsterdam is* chasing this one," a senior asset manager said yesterday.

CONTENTS

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Parties battle to rouse voters from apathy

FRENCH ELECTIONS

The stakes in the French parliamentary elections are high, because the outcome could settle the fate of Europe's single currency project. But to many French as well as outsiders, the course of this campaign for the two rounds of voting – on May 25 and June 1 – threatens to be even more confused than usual.

For a start, snap elections are not in the tradition of the Fifth Republic, and some voters still seem baffled as to why President Jacques Chirac chose to dissolve the National Assembly last month, 11 months before the end of its five-year term.

In addition, May in France is riddled with holidays, which does not guarantee high voter interest or turnout.

Speculation is mounting that even if the centre-right wins Jacques Chirac (right) may replace Alain Juppé *AP*

To make things even more confusing, a record 6,242 candidates are competing for the 577 seats in the National Assembly. In some cases their reasons for running are more related to getting public campaign finance than to political commitment. Among the candidates, women are better represented on the left, the old on the right. Ten incumbents defending their seats are over 75 – seven of them Gaullist, which is the only party that tried in vain to impose an age limit.

Yet, the early mixture of confusion and apathy is giving way to excitement. This is because see-sawing opinion polls have shown the left catching up, even overtaking, but then falling behind the right in terms of voting intentions, though still well behind in the projected number of seats they may win.

The discrepancy between voter support and the number of seats attainable relates to the complex two-round voting system.

Many compete in the first round, but few are chosen to go on to the second round. A candidate can win on the first round by getting 50 per cent or more of the vote. Few do.

The last election in 1993 was a landslide for the centre-right, but even so it won only 80 seats on the first round; the left won none.

So in this much closer election, no more than a couple of dozen seats are likely to be settled on May 25.

David Buchan shows the way through the French electoral maze and sets out challenges facing the left and right

But the first round will show the *rapport des forces* – or relative voting strength – of the various parties.

Any candidate winning 12.5 per cent of the registered vote can go on to the second round. If only one person so qualifies, the next highest scorer joins him or her in the second round run-off.

Generally, the first round is a primary to choose the best performing candidates on the left and right to do final battle in the second round, with unsuccessful candidates throwing their support to the standard-bearer of their camp.

But many voters go astray or abstain in the second round. This is much less of a problem for the government coalition of the Gaullist RPR and centre-right UDF. They have a common platform and are presenting joint candidates in the first round everywhere, except in some 40 constituencies where no incumbent exists and party dissidents do.

By contrast, the Socialists and Communists are competing separately in the first round, except in five constituencies where they have united to block the far-right National Front (NF).

In fact, the centre-right has more to fear from the NF. The latter's candidates will fight on wherever they cross the 12.5 per cent threshold. They may not win – only one Marseilles seat seems sure for the Front – but they can cause others to lose, particularly by splitting the rightwing vote and handing victory to the left.

Calculating all these factors in order to translate first voting intentions into second round seats is akin to witchcraft.

The pollsters' job is made harder by the splintering of France's ecology movement. Apart from the Greens (Verts), now formally allied to the Socialists, the behaviour of the Independent Green Movement (MEI) and Génération Ecologie in the second round is impossible to predict. More than 1,000 candidates are ecologists in various guises.

They, in particular, are using – or abusing – the fact that French elections are now almost wholly funded out of the state exchequer, as a result of a 1994 ban on corporate contributions.

Half the funding is tied to the number of parliamentary seats a party gets, but the other half goes to parties fielding at least 50 candidates, with payment in proportion to votes.

The brevity of this snap election should keep down costs, which are reduced anyway by the requirement that TV and radio provide balanced coverage and free advertising slots.

In theory, campaign posters are also banned, except on special panels outside public buildings. In the constituency of Mr Jean Tiberi, the scandal-prone Gaullist mayor of Paris, the panels are impressive.

No fewer than 28 candidates are hoping to topple him, and their poster panels, side-by-side, stretch 48 metres.

■ THE LEFT

Socialists struggle to maintain balance

The left faces a tricky task in the French parliamentary elections. The key to a left victory is whether its largest component, the Socialist party (PS), can regain much of the centre ground it lost in 1993 – while keeping its alliance with the Communists (PCF) and with the smaller Mouvement des Citoyens (MDC) and the Greens.

This task has become harder as the campaign has gone on.

Early on, the PS was the one party to see a definite rise in its opinion poll rating, though this trend may have turned now.

Glimpsing possible victory, the PS grew bossier towards those to the left of it, and more conciliatory towards centrist voters.

Any poll gains by the PS have not, however, been enough for it to dare to jeopardise the alliance with the PCF. The latter grew grumpier, as it failed to follow the PS up in the polls.

Some Communists complain the PS-PCF alliance is just working to the Socialists' advantage.

Formally, the PS-PCF alliance just takes the form of:

■ A joint declaration recording their general agreement on many economic and social points, as well as their "well known divergences" on other issues, such as Europe;

■ Joint candidates in the first round in only five seats (considered at risk to the National Front);

■ A solid tradition of pooling votes in the second round.

But their separate programmes share many similarities.

Both favour a change in macro-economic policy to boost demand, though the PS would do this through an annual "national conference on salaries" while the PCF wants to raise the minimum wage of just over FFr6,000 ($1,050/£640) a month by FFr1,000.

On taxes, they share the same general desire to increase the wealth tax, lower value-added tax and extend taxes on financial income and savings.

Both pledge to create 700,000 jobs for young people over two years – half in the public sector, half in the private.

The PS suggests the new public sector jobs would take the form of temporary work schemes for the young, which it stresses could be paid for entirely through "simplifying and re-orienting" existing job subsidies.

The PCF appears to aim at actually increasing the civil service and seems unbothered about the budgetary impact.

The PS and PCF both demand a cut in the standard working week from 39 to 35 hours without any reduction in pay.

This would boost hourly wages, and thus demand, while obliging companies to create many new job slots.

But, as on the size of the civil service, the two parties diverge slightly on the scale of the state sector.

The PS says existing public utilities should stay in state hands, and is pledged, if it wins, to abandon the France Télécom privatisation planned for next month.

It is not proposing to renationalise anything sold off since 1993, nor really is the PCF.

However, some moderate Socialists have suggested during the campaign that the public sector should "evolve" and that they would take a "pragmatic" view about privatising state companies which do not provide basic public services, and which are "in competition with" private companies.

Repealing the immigration laws passed by the Balladur and Juppé governments since 1993 is a demand on which the PC and PCF readily agree, though only the PS makes a point of claiming it would find other, fairer ways of cracking down on illegal immigration.

Europe is by far the most divisive issue on the left.

The PS remains broadly committed to the Maastricht treaty on economic and monetary union, which President Mitterrand signed but which has been anathema to the PCF.

The two parties have shifted somewhat in recent months. The PS now says the move to the planned single European currency – the euro – should include Italy and Spain. It says growth and jobs should be promoted, the euro should not be over-valued against the dollar and governments should be given some influence over the planned European Central Bank.

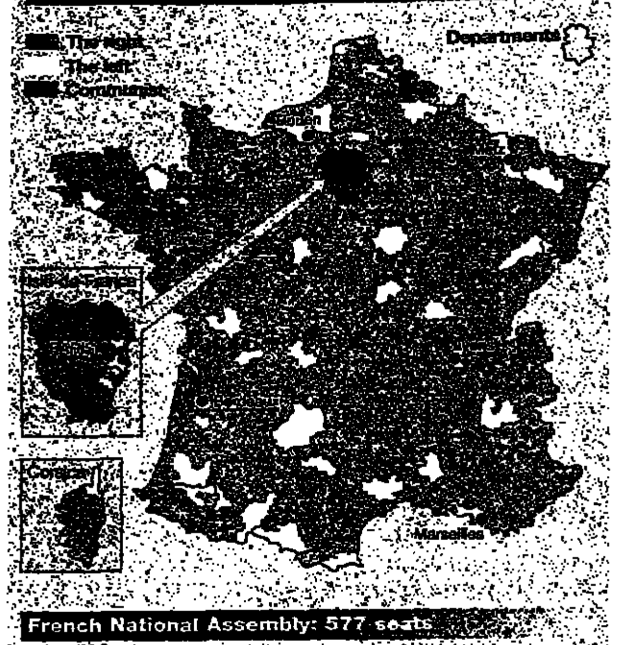
Some Communists, for their part, say now that Europe could have a "common" currency circulating in parallel with national monies.

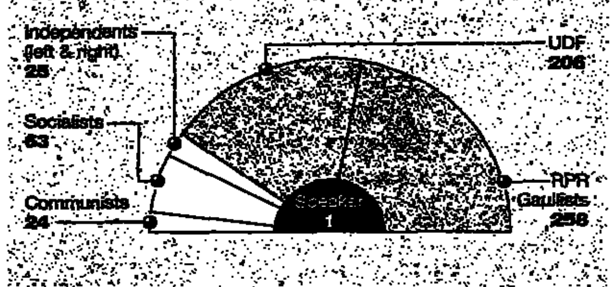
But, in the end, the PS is for the euro and the PCF is against it – as indeed is the small MDC party which split from the Socialists after Maastricht.

Goaded on this point by the right, Mr Lionel Jospin, the PS leader, made clear his line would prevail in any leftwing government because the PS would be "a far bigger contingent than the PCF" in the National Assembly.

This drew an angry retort from Mr Robert Hue, the Communist leader, about the PS trying to assert "hegemony" over its partners.

French elections: a long way back for the left





Opinion polls

Voting intentions for May 25: first round (%)

	Sofres 2-3 May	BVA 30 Apr-3 May	L Harris 5 May	Ipsos 6-7 May	Ifop 9 May
Left	42.0	39.5	40.0	39.5	38.5
Right	38.0	40.0	39.0	38.0	41.0
Balance for left	+4.0	–0.5	+1.0	+1.5	–2.5

Projected seats

	Sofres	BVA	L Harris	Ipsos	Ifop
Left	262	260	251	286	193-227
Right	291	294	302	290	328-358
Margin for left	–29	–34	–51	–4	–101-165

N.B. Polling confined to mainland France (555 out of 577 National Assembly seats), but Ipsos and Ifop seat projections include overseas constituencies.

Source: Le Monde, FT

Le Pen fires at right

Mr Jean-Marie Le Pen is shooting more to right than left these days. The leader of the far-right National Front said yesterday he would prefer the left to win because "this would paralyse Mr Chirac in his project of dissolving France into the Europe of Maastricht . . . and refuse him the blank cheque he is seeking for five years to aggravate the policies already in place".

This is not necessarily the view of many rank and file NF members, who do not share the animosity between Mr Le Pen and Mr Chirac. But it reflects the gradual change over the years in the NF, which, though always anti-immigrant, has progressively abandoned free market policies for economic protectionism. This has helped the NF steadily increase its share of the working class vote, often from the left.

The NF is pledged to reimpose frontier controls and scrap Maastricht. It would scrap income and inheritance taxes freeze public spending, and axe the civil service.

■ THE RIGHT

Coalition prepares for losses – but any majority would do

After its thundering victory in 1993, France's centre-right coalition has always expected to lose seats in this parliamentary election.

But President Jacques Chirac calculated that the losses would be less now than if he let parliament run its full term to next March.

In the last election, the centre-right's triumph was so great that it captured 80 per cent of the National Assembly.

Now, a smaller majority would be a relief for Mr Alain Juppé, the prime minister, as it would stop backbiting from backbenchers and give him the parliamentary cohesion he has lacked.

But the polls are far too close for the centre-right's comfort.

Mr Juppé is unpopular in the country. This is now the main tension within the ruling coalition, replacing earlier divisions arising from the Gaullist civil war over whether Mr Chirac or Mr Eduard Balladur, the former prime minister, should be president in 1995.

There is a possibility that, if the centre-right is returned to power, Mr Chirac might name another premier or that Mr Juppé himself might throw in the towel.

What may help the right maximise its representation is that the coalition between the Gaullist Rassemblement pour la République (RPR) and the centre-right Union pour la Démocratie Française (UDF) is tighter than the alliance between their leftwing opponents.

This is partly because there is an ideological overlap between the RPR and UDF.

The RPR is the more cohesive, though it draws support from all classes. Its foreign policy views remain tinged with General de Gaulle's nationalism, which sometimes still flares up on European issues, such as agriculture, dear to RPR hearts.

The majority of the party has only recently accepted the need for economic liberalism and a smaller role and size for the state.

But within the RPR, the following around Mr Balladur has developed similar ideas to the UDF.

The UDF is less of a well oiled party machine, because it is not really a party – though it has a small number of direct members – but a federation of parties.

These range from centrists in Force Démocrate (some of whom could in other circumstances accept the moderate socialism of Mr Jacques Delors, the former European Commission president) to free-marketeers and straight conservatives in the Republican party.

The common thread uniting the UDF is a belief in Europe and a conviction that French regions should be more autonomous from Paris.

The RPR and UDF had little difficulty in putting together a manifesto, perhaps because they agreed to gloss over their government record over the past four years in one sentence: "Since 1993, the [centre-right] majority has put the country back on its feet."

For the future, the RPR and UDF pledge to keep undoing their 1995 tax increases with further fiscal reductions, as the main way of reducing unemployment and unleashing private enterprise.

Reversing the left's priority, they are more focused on cutting income tax than value-added tax. To make this possible, they promise not to let public spending rise faster than inflation.

This would mean a slight relaxation from 1997-98, when Mr Juppé has ordered zero expenditure growth even in current franc terms.

They would continue to sell off state companies, but not public services or utilities, except France Télécom. If re-elected, they plan to put 30-35 per cent of France Télécom's shares on the market next month.

The RPR and UDF endorse the planned European single currency, the euro, and most of the RPR now mean it. They have come to join the UDF in backing economic and monetary union, partly because they went through their internal argument over the single currency at the time of the 1992 referendum on the Maastricht treaty, which set out terms for European Union member states to join in a single currency.

But some Gaullists of consequence, in particular Mr Philippe Séguin, president of the last National Assembly, still privately regard the euro as folly.

Mr Séguin's name always comes up as a possible successor to Mr Juppé. Many in the RPR would rally warmly to him, but few in the UDF – and almost none in the financial markets – would. Mr Séguin is moving very cautiously, but those around him less so.

One of Mr Juppé's ministers welcomed Mr Séguin to a rally last weekend by asking the audience to applaud "the president of the National Assembly or – why not? – prime minister". The minister later backtracked in a formal statement.

By contrast, Balladurian backbenchers – once bitter critics of Mr Juppé – have been impeccable in their support of the prime minister.

Two of them, Mr François Léotard, the UDF president, and Mr Nicolas Sarkozy, are likely to be part of the next government if the centre-right wins.

EUROPEAN NEWS DIGEST

Sale for Polish telecoms stake

The Polish government has approved plans to sell up to 25 per cent of Telekomunikacja Polska (TP), the state-owned telecoms operator, in a public offer next year which would start a step-by-step privatisation of one of the country's largest companies.

The decision to go ahead with the disposal of TP, which employs 75,000 people and reported an 841m zlotys ($280m) net profit last year, would now be implemented, Mr Andrzej Zielinski, the telecommunications minister, said yesterday. The company's employees would be given 15 per cent of the equity but the state would retain control of the company initially.

The government's next step will be to open a tender for an adviser for the offer which would be aimed at retail investors and institutions at home and institutional investors abroad. Its decision leaves open the issue of how much of the initial offer is to be offered to local investors and how much to foreigners. *Chris Bobinski, Warsaw*

Blow to Milosevic hopes

Serbian President Slobodan Milosevic has suffered a further blow to his political ambitions from a unanimous decision by Montenegro's ruling Socialist party to restore the prime minister, Mr Milo Djukanovic, as vice president of the party, a post from which he was removed under Serbian pressure in March.

The regained power of Mr Djukanovic, an arch-critic of Mr Milosevic, severely damages the Serbian president's chances of gaining a new power base as president of Yugoslavia when his second term as president of Serbia expires later this year. He needs Monenegrin support if he is to win the presidency of Yugoslavia, a federal union between Serbia and Montenegro.

The Yugoslav presidency is mainly ceremonial at present, but Mr Milosevic planned to change the constitution and transfer real power to himself by reducing the powers of the Serbian and Montenegrin governments. *Anthony Robinson, London, and agencies*

Sugar company faces fine

The European Commission is expected to fine Irish Sugar, a subsidiary of Greencore Group, today for abusing its dominant position in Ireland for more than 10 years.

The Commission was acting on several complaints from small sugar producers about Irish Sugar's behaviour, including refusal to sell and heavy discounts aimed at eliminating competitors, Commission officials said.

The spokesman for the competition commissioner, Mr Karel Van Miert, confirmed a company would get a "nice fine" today for bad behaviour in the past, but declined to name it or give the size of the penalty. *Reuter, Brussels*

Yeltsin outvoted on Nazi art

Russia's upper house of parliament has overridden a presidential veto and approved a law allowing Russia to keep art seized from Nazi Germany at the end of the second world war. Mr Mikhail Shvydkoi, deputy cultural minister, said about 140 members – well over the required two thirds of the Federation Council – had voted to overrule President Boris Yeltsin's objections.

He said the president would exercise his right of appeal to the Constitutional Court.

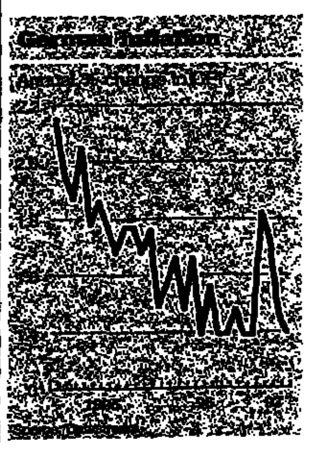
Mr Yeltsin had argued that the bill contradicted international law and would reduce Russia's chances of getting back its own art treasures seized during the war.

Parliament's communist-dominated lower house voted in early April to override the veto.

The bill introduces a complex procedure for the return of any trophy art, requiring a formal request by a foreign government and approval by the Russian parliament. As a result, it would be extremely unlikely that any art would be returned. *Reuter and AP, Moscow*

ECONOMIC WATCH

German inflation falling



Germany's inflation rate continued its downward trend in April, figures from the federal statistics office confirmed yesterday. Consumer prices were 1.4 per cent higher than the same month a year before. That compared with an annual inflation rate of 1.5 per cent in March.

Inflation had accelerated at the beginning of the year after an exceptionally severe winter pushed many prices sharply higher. Inflation may begin to rise again over the next few months as the recent weakness of the D-Mark exerts upward pressure. In the longer term, price pressures will mount as the expected pick-up in economic activity gains momentum.

In the past 12 months, energy and housing costs have seen particularly steep price increases, but rises in the cost of food, drink and furniture have been relatively modest. Between March and April the consumer price index was flat. *Ralph Atkins, Bonn*

■ French consumer prices were unchanged to 0.1 per cent higher in April compared with March, according to provisional figures from the statistics office Insee.

■ Italian producer prices in March were up 0.3 per cent from February and rose 0.9 per cent year-on-year, the statistics bureau Istat said.

Yeltsin presses Russia's case on Nato

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, yesterday tried to give renewed impetus to the stalled talks over Nato's enlargement plans by phoning Mr Tony Blair, the recently elected British prime minister, to attempt to win a new convert to his country's cause.

But as Mr Javier Solana, Nato's secretary-general, arrived in Moscow last night for the sixth round of Russian-Nato talks, Mr Yeltsin adopted a sterner face by instructing his foreign minister to pursue a tough line to defend his country's strategic interests.

Diplomats in Moscow said the Russians still had serious objections to some of the military implications of Nato's planned enlargement.

Moscow is pressing Nato to refrain from building the infrastructure to store nuclear weapons on the territory of potential new member states – even though the alliance has already pledged not to deploy nuclear weapons in forward positions.

The Interfax newsagency added that Mr Yevgeny Primakov, Russia's foreign minister, would also press for greater revisions of an agreement governing the deployment of ground troops in Europe.

Nato has conceded it is prepared to renegotiate the terms of the Conventional Forces in Europe treaty limiting the forward stationing of forces.

Mr Primakov yesterday again repeated calls for the Organisation for Security and Co-operation in Europe to play a greater role in security issues, given it was a "more universal and multinational organisation".

Some diplomats suggested Moscow was attempting to spin out the negotiating procedure in order to persuade nationalists it was not selling Russia's interests short but had agreed most of the principles of a new security agreement.

A declaration by a group of security experts published in the Nezavisimaya Gazeta newspaper yesterday urged Mr Primakov to walk away from a deal if it was not in Russia's interests.

"Though steps have been taken in the right direction in the last few months and the Russian president and foreign minister have obtained movement from the western side, too much remains in the zone of uncertainty," it said.

Despite the diplomatic wrangling, both sides still appear hopeful that a compromise deal can be struck enabling Mr Yeltsin to sign a Russian-Nato agreement at an international security meeting in Paris on May 27.

Nato has made it clear it would be prepared to pursue its enlargement plans in the face of of Russia's objections, though it would clearly prefer to reach an agreement.

A summit of the western alliance in Madrid in July will formally invite new members to begin admission talks. Poland, Hungary and the Czech republic now seem certain to be admitted, but it seems likely that other applicants, such as Romania and Slovenia, will have to wait for the second phase of expansion.

Mr Yeltsin, who last week declared a deal with Nato was 98 per cent complete, also discussed security issues yesterday with Mr Helmut Kohl, the German chancellor, following a conversation with Mr Jacques Chirac, the French president, the previous day.

German private banks reject arbitration plan

By Andrew Fisher in Düsseldorf

Germany's private sector banks have rejected a compromise attempt by the Bonn government to solve their long-running dispute with public sector banks over alleged unfair competition.

The German banking association, representing private sector banks, had formally turned down a government proposal that the matter be settled by an arbitration panel, Mr Wolfgang Arnold, its deputy general manager, said yesterday. "This is another attempt to delay the matter," he added.

His comment followed a statement by Mr Friedel Neuber, chairman of Westdeutsche Landesbank – the main public sector bank involved – that he would accept arbitration. He said the government had made this proposal to try and ensure the matter was dealt with at national level and not by the European Commission in Brussels.

The row concerns a complaint by the private banks to the Commission over the terms on which WestLB and five other public banks received capital injections in the form of housing development funds. The private banks say the interest rates paid were below capital market levels and were thus a distortion of competition.

Mr Neuber said yesterday at the bank's annual press conference that this claim was based on erroneous calculation methods which understated the rate paid by WestLB for DM4bn ($2.3bn) of funds from a state-owned house-building promotion institute in 1992.

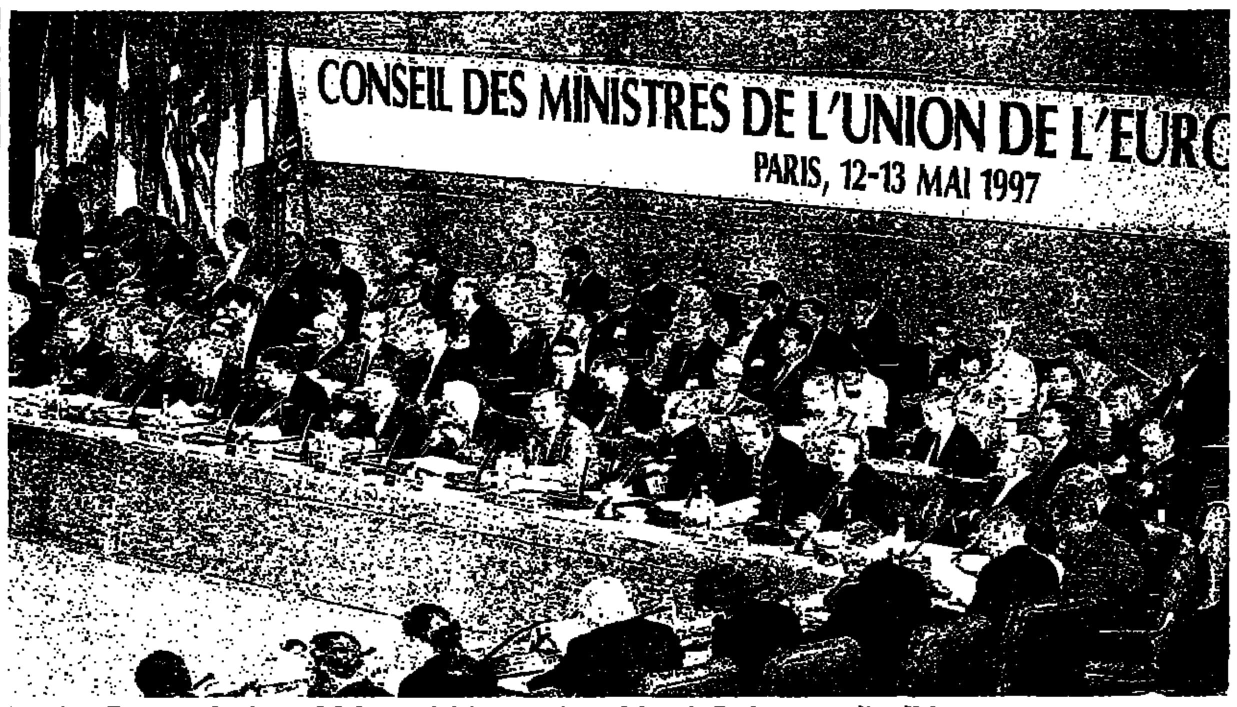
The private sector banks are still insisting that the matter be dealt with in Brussels and are pressing for the Commission to open an inquiry. The association, whose members include Deutsche Bank, Dresdner Bank and Commerzbank, has said it is no longer available for national talks to reach a compromise and is impatient with the delay in settling the matter.

Mr Neuber repeated his support of Mr Horst Köhler, president of the German Savings Banks and Giro Association and a former aide to Chancellor Helmut Kohl, who has contrasted the savings banks' support for European monetary union with attempts to question their role in the German banking structure.

"We are keen protagonists of the euro," Mr Neuber said of WestLB and the public sector banks, which are linked closely to the savings banks.

But it was a "paradox" to expect savings banks to persuade their customers to welcome the euro when they themselves were under threat.

WestLB results, Page 19



Jaw, jaw: European foreign and defence ministers opening a debate in Paris on security affairs Reuter

UK eases EU military stance

By David Buchan in Paris

Britain's new Labour government said yesterday it could accept reference in a new European Union treaty to the need for military operations for humanitarian and peace-keeping purposes, provided such operations were planned elsewhere.

This marks a slight advance on the position of the preceding Tory government which was hostile to any hint of a military-related role for the EU.

Mr Robin Cook, the new UK foreign secretary, said that London would not, in the new EU treaty to be negotiated at Amsterdam next month, object to a reference to humanitarian and peace-keeping military operations, planned and conducted by the Western European Union.

But, speaking to yesterday's WEU ministerial meeting in Paris, Mr Cook ruled out the idea of eventually merging the WEU into the EU, as France and Germany want. "We do not see the EU as being a defence organisation – this would undermine Nato and create complications for EU and Nato members". He went on to stress that co-operation in defence should continue to be on the basis of consensus between governments.

Reflecting UK reservations, WEU ministers left the timetable for the defence organisation's rapprochement with the EU open-ended. Their communiqué talked of "building up the WEU in stages as the defence commitment of the Union", in language that only echoed that in the 1992 Maastricht treaty. French and German ministers expressed disappointment at Mr Cook's insistence on keeping the WEU and EU apart, but said they were not surprised.

However, the WEU took one step further yesterday by deciding to step up a standing military committee, composed of chiefs of staff of the 10 member countries under a permanent chairman. The WEU has deliberately chosen a committee with the same name and structure as in Nato.

■ Earlier, Mr Cook took the opportunity at a meeting of the United Nation Education, Scientific and Cultural Organisation (Unesco) to announce his government's decision to return to the organisation. Complaining of waste and corruption at Unesco, the UK government quit Unesco in 1985. It will shortly rejoin and start paying its subscription that amounts to £11m ($17.82m) a year.

"This is of our effort to end the isolation of the UK in international affairs," said Mr Cook.

Jospin in warning on social security deficit

By Andrew Jack in Paris

The French Socialist party yesterday tried to stress its managerial competence by warning of the threat posed to the country by social security deficits accumulated under the ruling centre-right RPR-UDF coalition.

Mr Lionel Jospin, leader of the Socialist party, said the current deficit – which he claimed ran to FFr100bn ($17bn) – was an indictment of the policies of Mr Alain Juppé, the prime minister.

Meanwhile, continuing a style first adopted by President Jacques Chirac last week, Mr Henri Emmanuelli, a senior Socialist party official, resorted to a written communiqué to suggest that there were strong splits within the coalition on Europe and that it might threaten the national minimum wage.

In a written reply, Mr Jean-François Copé, the RPR's spokesman, stressed that his grouping respected the Maastricht treaty "and nothing but the treaty" for monetary union, while arguing that there were far broader divisions on the subject within the Socialist party, and with the Communist party.

He also dismissed as a "lie" any suggestion that the government if re-elected would abolish the minimum wage, and lashed back at Mr Emmanuelli as a member of a Socialist administration during the 1980s which was a "champion of deficits of all kinds".

The exchanges came as a new opinion poll suggested a consolidation in support for the centre-right ahead of voting in the first round of the elections, due at the end of next week.

A poll for Paris Match showed over the last month a 5 per cent rise in the popularity of both Mr Chirac and Mr Juppé, with the proportion of those expressing positive opinions rising to 35 and 30 per cent respectively.

A separate poll for Le Monde newspaper and the NRJ radio station published yesterday suggested that the RPR-UDF coalition had consolidated its lead with 39.5 per cent of the vote, against 28.5 per cent for the Socialists, and 9.5 per cent for the Communists.

However, in a further indication of the lacklustre nature of the election campaign, the poll showed low interest in the race: just 60.5 per cent of those aged 25-29 were certain they would vote on polling day.

Yesterday's campaigning came against a backdrop of growing threats of industrial action. Three rail unions warned of strikes this week among ticket controllers, and two associations of flight attendants working at Air France and its domestic carrier said they planned to stop work at the end of this week.

Jospin (right) and the Green party's Dominique Voynet Reuter

Serbia left out in cold from BIS

By Kevin Done, East Europe Correspondent

The central banks of four of the five states which emerged from the collapse of former Yugoslavia have been invited to join the Bank for International Settlements.

The Basle-based BIS said that the central banks of Slovenia, Croatia, Macedonia and Bosnia-Hercegovina had been invited to become shareholders in the bank in an interim move, while the four states and rump Yugoslavia, which comprises Serbia and Montenegro, continue talks on dividing the assets of the National Bank of Yugoslavia, former Yugoslavia's central bank.

The exclusion of rump Yugoslavia underlines the continuing isolation of Belgrade from the international financial community despite the lifting last year of United Nations trade sanctions.

This has been caused partly by its democratic record and its insistence on being the sole successor to former Yugoslavia. It claims the others seceded illegally.

Former Yugoslavia is understood to have had assets at the BIS of around $660m, which were frozen when its membership was suspended in 1992 amid the country's violent collapse.

The BIS has put forward proposals for how to divide the assets, which were accepted last year by the four states of Slovenia, Croatia, Macedonia and Bosnia-Hercegovina but were refused by Belgrade.

The Bank of International Settlements, whose board of directors consists of central bank governors from the Group of Ten (G10) industrialised countries, provides financial services for central banks and is a forum for direct contact among central bankers about monetary policy issues.

Unions girded for Italy pension fight

By Robert Graham in Rome

Italy's powerful trades unions have taken a tough stand at the outset of key talks on cutting generous pension rights and reforming the welfare system.

In the first meeting yesterday between Mr Romano Prodi's centre-left government and the leaders of the three main trades union confederations, little progress was made. The unions refused to discuss any shake-up in pensions and welfare until the government had agreed its three-year macro-economic programme.

This is unlikely to be ready before the weekend. The macro-economic document, drawn up on a rolling basis each year, will indicate the targets for growth and the budget deficit. The document will reveal what kind of structural cuts in social spending the government is likely to be aiming for.

The treasury is anxious to give a strong signal to Brussels by aiming for a 1998 budget deficit equivalent to 2.5 per cent of gross domestic product. The government believes it would then demonstrate Italy's commitment to a 'sustainable' deficit, giving greater credibility to its demands to be included in the first wave of the single currency.

At present the trend in spending and receipts indicates Italy will run a 1998 deficit of 3.8 per cent. To meet such an ambitious target against a backdrop of continued low growth, Italy may have to find as much as L30,000bn ($17.8bn) in spending cuts and fiscal measures, officials say. This is bigger than previously thought and may not be backed by the full cabinet.

Given the harsh comments issued by the European Commission on Monday about Italy's need to introduce structural measures in its 1998 budget to bring the deficit to less than 3 per cent of GDP, the pressure has increased on the government to attack pension rights.

However, union leaders are determined to avoid being steam-rollered into making concessions, and without their support the government will have hard time pushing through reforms. Protests by the unions in 1994 against pension reform helped bring down the Berlusconi government.

The unions have indicated they will refuse to commit themselves until they obtain convincing assurances from Mr Prodi that all the parties backing his government endorse a common policy on these issues.

The hard-liners in Reconstructed Communism (RC), whose parliamentary support is vital to the centre-left coalition, have until now refused to contemplate any changes in the pension system, reformed in 1995 and by law not due for revision until 1998.

Pensions account for 60 per cent of all social spending, the total of which is equal to just under 24 per cent of GDP. A government-sponsored report earlier this year showed significant savings could be made if the retirement age were raised, early retirement pensions phased out, the period of introducing the 1995 reforms accelerated, and schemes for public and private-sector employees harmonised.

The report also highlighted the need for better management of the health service and for more funds to be devoted to areas of welfare at present ignored, such as unemployment benefit and help for unmarried mothers and ageing single people.

The unions concede some pension privileges should be ended but argue the savings should not go to the treasury. Instead, they say the funds released should be used to provide a better balance in welfare spending.

To back their argument, the unions point out that the 23-24 per cent of GDP which goes on social spending is well within the EU norm.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl- Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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NEWS: THE AMERICAS

Retail sales down as US growth slows

By Gerard Baker in Washington

US consumer spending slowed in April following its explosive growth in the first three months of the year. Retail sales fell by a seasonally adjusted 0.3 per cent last month, the first decline for six months, the Commerce Department reported yesterday.

The figures, suggesting that the US economy is slowing after its rapid growth in the first quarter of 1997, came one week before the Federal Reserve's open market committee meets to review monetary policy.

The US central bank raised short-term interest rates at its last meeting in March in an effort to cool an economy that grew at a 5.6 per cent annual pace in the first three months of the year.

But if the retail sales figures last month do reflect a broader economic slowdown going into the summer, the Fed may not need to raise rates again next week.

Economists were divided about the impact of the figures on Fed policy. It was almost inevitable there would be some deceleration last month, following the spending surge in the first quarter.

Retail sales grew at an annual rate of more than 10 per cent in the first three months of 1997. Despite the fall last month, sales February to April were still 2.5 per cent higher than in the previous three months, and demand overall remains strong.

"The slowdown in April is not surprising and is not necessarily the beginning of a trend. Instead, it is likely to be just another wiggle in the up-and-down pattern of consumer spending seen during this expansion," Mr James McCormick, an economist with JP Morgan, the New York investment bank, said.

Other economists thought the figures made a further Fed tightening somewhat less likely.

"This report reflected the softening demand scenario likely to keep the Fed on hold," said Mr David Greenlaw, economist at Morgan Stanley, another investment bank.

The Commerce Department also revised down its estimate for retail sales in March, from an earlier estimate of a 0.1 per cent increase to unchanged. Last month's decline was broad-based.

Sales of new cars were down 0.9 per cent to a seasonally adjusted $51.9bn following a 0.3 per cent March decline. It was the steepest drop in new-car sales since a 1.2 per cent fall last November.

New cars account for about a quarter of total retail sales, so swings in demand strongly affect the overall monthly figures.

However, sales at department stores also fell by 1 per cent. There was a 0.3 per cent fall in spending on furniture and furnishings.

Attention will now focus on the inflation figures published later this week for further clues as to the direction of Fed policy.

April producer price figures are published today, with consumer prices out tomorrow. Despite the strength of final demand, neither indicator has demonstrated any significant acceleration in inflation.

$14.5m for Toulouse-Lautrec pastel of seated dancer

Japanese ambassador to Lima resigns to take responsibility for security lapse

Peru hostage drama hero quits post

By Sally Bowen in Lima and William Dawkins in Tokyo

Morihisa Aoki talks to Yukihiko Ikeda, Japan's foreign minister, yesterday *Reuter*

Mr Morihisa Aoki, Japan's ambassador to Peru, yesterday resigned to take responsibility for the 127-day hostage crisis at his residence in Lima.

Tokyo's decision to accept his resignation will be regretted by Peruvians, particularly the hundreds taken hostage by Tupac Amaru (MRTA) guerrillas, who stormed the embassy during a reception to celebrate the Japanese Emperor's birthday on December 17.

Mr Aoki was the first to stand up as machine-gun fire ripped through the marquee in the residence garden at the start of the crisis.

For most of the 40-minute gun battle he pleaded through a loud-hailer with Peruvian police outside the embassy residence to cease fire and put his guests out of the firing line.

That evening and for the next seemingly interminable 126 days, he maintained his courage, good humour and composure, always doing his best to ameliorate the increasingly difficult physical and psychological conditions of the 72 hostages who remained until the dramatic end three weeks ago.

Dozens of former hostages expressed their gratitude to, and support for, Mr Aoki in a full-page newspaper advertisement at the height of the crisis.

Yet the embassy has had to accept its share of responsibility for the enormous security lapses which led to the taking of the residence and of the hundreds of international VIPs by a band of relatively amateur and primarily teenage guerrillas.

As a consequence of the siege, the foreign ministry has begun a security review of its overseas buildings.

Mr Aoki admitted to a Japanese parliamentary panel on the crisis a failure of "total omission" in failing to realise that terrorists might enter his grounds through a neighbouring building at the back of the property.

"I am painfully aware of my responsibility for causing anxiety...for the governments and peoples of our country and Peru and the governments of the world," he said, standing before the panel on crutches because of injuries received during the rescue.

Tokyo, caught between pursuing its traditionally pacifist line when faced with terrorist attack yet anxious for a speedy conclusion, found the prolonged incident highly embarrassing.

Political damage to the Japanese government was minimised by the bold, cleverly planned and executed but ultimately lucky military attack ordered by President Alberto Fujimori, the Peruvian president (apparently without consulting Tokyo), on 22 April. All the guerrillas were killed in the attack.

Japanese relief and gratitude were underlined by Japanese premier Ryutaro Hashimoto's 20-hour flying visit to Lima at the weekend.

He posthumously decorated the two Peruvian commandos killed in the attack and reiterated pledges of support to the Fujimori government.

The fact that none of the two dozen Japanese hostages was killed or injured saved the Hashimoto government's face. But heads had to roll and Mr Aoki's has proved the most convenient.

Within two hours of the storming of the residence, he had already admitted to guests that there had been no security at the rear of the residence where guerrillas blew a hole in the wall.

Yesterday, Mr Yukihiko Ikeda, the foreign minister, announced at a Japanese parliamentary hearing into the crisis that he had accepted the ambassador's offer to step down.

Mr Aoki's resignation came despite an appeal by Mr Fujimori for him to be allowed to stay, in a letter to Mr Hashimoto.

The Japanese foreign ministry has a commission investigating security errors on the inside; 19 high-ranking Peruvian police officers are on trial (the intelligence service having managed to escape censure) for negligence in securing the exterior of the embassy residence.

The embarrassment brought by the Peruvian hostage crisis has not, however, hindered Japan's desire for closer relations with Latin America.

Emperor Akihito and Empress Michiko are to stage a two-week tour of Brazil and Argentina from the end of this month, the first ever Japanese imperial visit to Latin America. Brazil is home to 1.3m people of Japanese descent, the largest Japanese community outside Japan itself.

But in Lima security forces have been put on red alert. Intelligence reports indicate that several dozen subversives from both Sendero Luminoso and the MRTA are converging on the capital with a view to creating as much havoc as their weakened organisations will allow.

Record price for Toulouse-Lautrec

By Antony Thorncroft

A painting by Cézanne of his wife seated in a yellow armchair, one of four such portraits known, sold for $23.1m at a standing-room-only auction held by Christie's in New York on Monday night.

It went to an anonymous European buyer.

The price was slightly below estimate, but it was the second highest price ever paid at auction for a painting by the French Impressionist artist, beaten only by a still life of fruit which sold at Sotheby's in 1993 for $28.6m.

A pastel by Toulouse-Lautrec of a seated dancer with pink stockings fetched $14.52m, a record for the artist.

One of only two self-portraits by Manet made $18.7m. It was the second highest price paid for a Manet in the saleroom, and was close to its estimate.

All the paintings were part of a consignment of 29 works of art sent for sale by the executors of John Loeb, the Wall Street financier who died in December.

All sold except one lot, bringing in $92,794,500, the second highest total for a single-owner collection sold at auction.

The total just exceeded Christie's expectations and confirms that the top end of the art market is in good shape.

Over three quarters of the lots sold either above, or within, their estimates, and the buying was spread across the world, with 46 per cent of the lots going to the US, and 39 per cent to Europe.

Among the other top prices were the $12.65m paid for another Cézanne, a view of Estaque in the south of France; $4.3m for a Renoir nude; and $3.85m for a painting of irises by Monet.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Prices for 14.05.1997 | Final Prices for Trading 16.04.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.80	18.49	18.91	0.83
0100	11.80	11.66	11.88	0.80
0130	14.87	18.49	18.91	0.83
0200	14.87	18.49	18.91	0.83
0230	14.87	18.49	18.91	0.83
0300	14.87	18.49	18.91	0.83
0330	14.87	18.49	18.91	0.83
0400	14.87	18.49	18.91	0.83
0430	14.87	18.49	18.91	0.83
0500	14.87	18.49	18.91	0.83
0530	14.41	21.29	21.70	0.83
0600	14.20	21.29	21.70	0.83
0630	14.20	21.29	21.70	0.83
0700	14.88	22.29	22.71	0.83
0730	22.44	23.94	24.38	0.83
0800	25.92	32.91	33.38	0.83
0830	25.98	51.58	52.04	0.83
0900	28.00	51.83	52.13	0.83
0930	35.10	33.01	33.60	0.83
1000	60.12	33.91	33.60	0.83
1030	34.20	28.49	28.98	0.83
1100	34.16	31.10	31.58	0.83
1130	28.20	31.13	31.62	0.83
1200	28.23	31.13	31.63	0.83
1230	35.02	31.09	31.67	0.83
1300	34.93	25.62	26.08	0.83
1330	25.94	24.35	24.78	0.83
1400	23.20	23.85	24.37	0.83
1430	23.19	26.28	26.70	0.83
1500	25.88	27.41	27.83	0.83
1530	23.17	23.79	24.21	0.83
1600	22.82	22.87	23.29	0.83
1630	36.71	23.80	24.22	0.83
1700	36.73	28.28	28.70	0.83
1730	36.71	28.28	28.70	0.83
1800	38.69	28.27	28.69	0.83
1830	25.88	22.87	23.28	0.83
1900	22.43	22.80	23.21	0.83
1930	22.43	22.81	23.21	0.83
2000	17.81	22.80	23.21	0.83
2030	11.67	22.80	23.21	0.83
2100	22.43	50.75	51.17	0.83
2130	34.39	50.75	51.17	0.83
2200	34.39	50.75	51.17	0.83
2230	34.38	34.64	35.05	0.83
2300	38.25	34.64	35.05	0.83
2330	14.85	18.01	18.42	0.83
2400	14.88	21.29	21.70	0.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the Pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.

Moscow seeks Washington help over dismantling N-weapons

By Bruce Clark in Washington

Mr Igor Rodionov, Russia's defence minister, yesterday sought fresh help from his US counterpart, Mr William Cohen, in dismantling nuclear weapons and downsizing the cash-starved Russian military.

The minister, an ex-general with a reputation as a tough-minded pragmatist, said after meeting Mr Cohen that he was "very optimistic" about US-Russian co-operation over military reform and the retraining of servicemen.

In the latest effort to dismantle the legacy of the cold war, the ministers announced a plan to use US funds and expertise to dismantle rocket motor cases and canisters from 410 Soviet-built ballistic missiles. They also considered the extension of US-Russian peacekeeping efforts, well established in Bosnia, to hitherto unthinkable areas, such as joint action against foes possessing chemical, biological or ballistic weapons.

Mr Rodionov's arrival coincides with a searching internal review by the US military establishment of how to trim and adapt the armed forces to a post-cold war world.

Any budgetary and strategic problems faced by the US military forces are dwarfed by the catastrophic decline, compounded by defeat in Chechnya, which the Russian military has experienced since the disintegration of the Soviet Union. But Mr Rodionov will be briefed on the internal reassessment process known as the Quadrennial Defence Review (QDR), due to be completed this week.

While dismissive of any direct threat from Russia, Pentagon officials are still worried about Russian transfers of military technology to China, and they will be pressing Mr Rodionov to show restraint. They have also noted with alarm some recent statements by Mr Rodionov that Russia may soon have difficulty maintaining systems for controlling strategic nuclear arsenals.

A Pentagon official said the Russians were caught between the perception that China might become a threat to their own security and their desperate need for export sales.

This year's strategic assessment by the Institute for National Strategic Studies, a Pentagon-related think-tank, describes both Russia and China as as potential "theatre peers" – which "cannot challenge US interests globally but are potentially capable of military challenges in areas close to their border."

Regional wars seen as the biggest danger

Of more immediate concern to US military planners is the possibility of a regional conflict involving one or more so-called rogue states, such as Iran or Iraq.

Mr Cohen reaffirmed this week that the QDR, the results of which will be made public on Monday, would maintain the principle of preparedness to fight two significant regional wars at virtually the same time – although conservative defence analysts say this capacity may already have been lost.

The QDR is expected to call for the US armed forces, which have been cut by 600,000 troops to around 1.45m since 1989, to shed more personnel, and close bases to free money for arms modernisation.

A few weeks ago, army generals feared the loss of about 150,000 servicemen, including 56,000 – or the equivalent of three divisions – from the army alone, according to a memo leaked to Defence Week, a specialist publication.

But the Pentagon has insisted the QDR will call for the retention of all 10 army combat divisions. It will preserve, in reduced numbers, three aircraft programmes whose total cost could reach $350bn. They are the air force F-22 stealth fighter, the navy FA-18 E/F and the tri-service joint strike fighter.

LEGAL NOTICES

No.001601 of 1997

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ICELAND GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 6th May 1997 sanctioning the Scheme of Arrangement and confirming
(i) the reduction of the capital of the said Company from £60,000,000 divided into 435,239,090 ordinary shares of 10p each and 82,380,460 convertible preference shares of 20p each to £46,305,550.50 divided into 343,780,027 ordinary shares of 10p each and 59,637,764 convertible preference shares of 20p each;
(ii) the reduction of the Share Premium Account from £33,230,138 to £nil; and
(iii) the reduction of the Capital Redemption Reserve Fund from £3,560,000 to £nil
and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 8th May 1997.

DATED the 14th day of May 1997
HERBERT SMITH
Exchange House, Primrose Street
London EC2A 2HS
Ref: 329
Solicitors for the above-named Company

CONTRACTS & TENDERS

GOVERNO DA BAHIA

BID NOTICE
INTERNATIONAL PUBLIC BIDDING EDICT Nº 01/97

TOURISM DEVELOPMENT PROGRAM FOR BRAZIL'S NORTHEASTERN REGION - PRODETUR-NE

FEDERATIVE REPUBLIC OF BRAZIL

GOVERNMENT OF THE STATE OF BAHIA
DEPARTMENT OF POWER TRANSPORTATION AND COMMUNICATIONS (SETC)
DIVISION FOR TRANSPORTATION AND TERMINALS (DTT)

The Division for Transportation and Terminals (DTT), organization under special policy, affiliated to the Department of Power, Transportation and Communications (SETC) of the Government of the Bahia State, holder of the Brazilian Taxpayer Roll (CGC) No 13.937.115/0002-30, through its Bidding Commission, hereby announces that on the 16th of June of 1997, at 2:00 p.m., in the Meeting Room of the Bidding Permanent Commission located at Av. Luiz Viana Filho, no. 435, C.A.B., Salvador-BA, Brazil, it shall be receiving Tenders and Qualification Documents regarding the execution of the construction works of the LENÇÓIS AIRPORT, as defined in the Edict.

Brazilian and overseas companies proceeding from the Inter-American Development Bank (IDB) member countries may take part in this contest.

The resources for the implementation of the works that are the subject of this Edict will be originated in the PRODETUR-NE (Tourism Development Program for Brazil's Northeastern Region), which is partially funded with resources guaranteed in the Loan Agreement # 841/OC-BR settled between the IDB and the Banco do Nordeste do Brasil S/A (BNB), and the Bahia State corresponding financial counterpart, according to the Budgetary Act # 7.020/96 of December 30, 1996, and Decree # 6.143/96 of December 30, 1996.

The Edict complete documentation may be acquired at Av. Luiz Viana Filho, no. 435, C.A.B., Salvador-BA, Brazil, from May 5, 1997 to June 9, 1997, from 1:00 p.m. to 7.00 p.m, upon payment of R$1,500.00 (fifteen hundred reais).

Jótre Silva Dalcum
President of the Bidding Commission

NEWS: WORLD TRADE

Hare and tortoise set for Americas' free trade race

The US is in a hurry for hemispheric cuts in tariffs; Brazil is not so sure. **Stephen Fidler and Geoff Dyer** on the battle to open up lucrative markets

It is being billed in Brazil as a clash between the two largest economies in the Americas on how to proceed towards a free trade area for the western hemisphere.

The venue is the south-eastern Brazilian city of Belo Horizonte, where trade ministers representing 34 countries from the western hemisphere meet this week.

Leaders from the 34 – all the countries of the hemisphere except Cuba – agreed at a summit in Miami in 1994 to have an agreement on a Free Trade Area of the Americas (FTAA) in place by 2005.

The Belo Horizonte meeting is meant to provide the groundwork for the next hemispheric summit in the Chilean capital, Santiago, next March. After that, negotiations proper to an FTAA are scheduled to begin.

Agreement has so far been reached on two issues: tariff reductions should be in place by 2005 and whatever is agreed will be part of a single agreement, rather than a series of separate undertakings. However, fundamental differences in the approach to the FTAA have emerged.

On one side, the US, backed by Canada, wants to move into talks on reducing tariffs straight after the Santiago summit. On the other, Brazil – also speaking on behalf of its Mercosur partners, Argentina, Uruguay and Paraguay – favours a gradual build-up to talks on tariffs.

Brazil wants a three-stage approach. Step one, to begin next year, would involve negotiations over what it calls business facilitation and deregulation. Then it would embark on negotiations on trade related rules, such as disputes settlement and rules of origin. Only then, by perhaps 2003, would the talks on tariffs begin.

The US, on the other hand, wants to start negotiations on all these issues at the same time. Its priority is the fastest possible opening to US companies of what it views as fast growing markets in Latin America.

Latin American governments undertook a significant unilateral reduction in tariffs in the late 1980s and early 1990s, but that pace has slowed and tariffs remain relatively high in international terms.

Mr Bill Daley, the US secretary of commerce, launched a broadside against Brazil's trade restrictions as he arrived there this week. He criticised the Brazilian automobile regime, requiring foreign carmakers to maintain factories in Brazil in order to import cars at half the normal 70 per cent tariff and setting quotas on eligible imports.

Washington's priority is the fastest possible opening to US companies of fast growing markets in Latin America

This measure was "a clear violation of WTO rules" and would, if not resolved, result in a US complaint to the World Trade Organisation "sooner rather than later", he said.

He also expressed "serious concerns" about Brazil's recent trade financing restrictions and criticised the slow pace of copyright and computer software protection legislation.

However, he added that Brazil was one of 10 markets expected to account for over 40 per cent of total world imports and growth over the next 15 years. It was therefore "one in which we are aggressively seeking commercial relations."

Brazil has its own complaints against US trade barriers – in particular to textiles, shoes, orange juice and other agricultural products – and against the US section 301 legislation which allows Washington to take unilateral action against producers deemed to be trading unfairly.

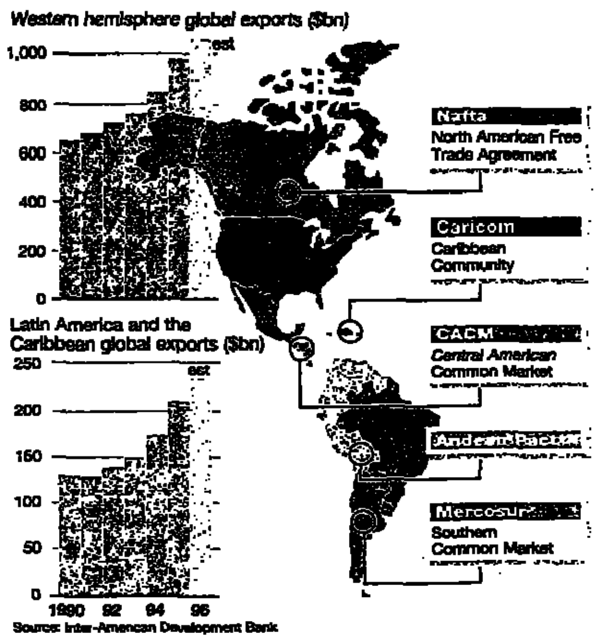
According to Brazilian diplomats, the US attitude to the agricultural sector will be the key to whether any progress can be made at Belo Horizonte. President Fernando Henrique Cardoso implied this on Monday, saying: "Regional integration depends a lot more on the capacity of countries in the north to open up their markets."

The FTAA negotiations are a dangerous game for Mr Cardoso, who is expected to stand for re-election next year. Brazil's first wave of tariff reductions has led to a widening trade deficit, expected to exceed $10bn this year.

According to Mr Luiz Felipe Lampreia, Brazilian foreign minister, the economy was "submitted to an intense competitive shock" in the early 1990s as a result of tariff reductions and the creation on Mercosur. He argues that it is too early inflict another shock on industry.

If the government is perceived to be moving too fast in terms of tariff reduction, it risks a strong domestic backlash. And if it loses control over the trade debate, it could weaken support for other aspects of its market-oriented economic programme.

Exports from the Americas



Source: Inter-American Development Bank

Mr Rubens Ricupero, the former finance minister, gave an indication of the anxiety that the FTAA was creating when he said that Brazil was "playing with its destiny" in these talks.

Nonetheless, the talks also provide an opportunity for the government to assert a regional leadership role, a long-held ambition of the Brazilian political establishment. The government would not want a go-slow on trade to endanger its chance of regional leadership.

Brazil and the US differ on other issues too. The US would like to use the FTAA as the basis for wide-ranging agreement on hemispheric issues such as security, drug trafficking, the environment and labour issues. Brazil takes a much more narrow approach, believing the accords should be limited to trade.

There are some areas of agreement, however. Against the objections of Mexico and others, both the US and Brazil would like to see trade unions consulted closely in the negotiations, rather as corporations are at present.

Moreover, with President Bill Clinton making his first visit to Brazil in October, there are strong reasons of diplomacy for leaving the door open for compromise. Such a compromise, say Brazilian officials, might allow negotiations on a tariff reduction schedule to start next year – leaving a decision on the date of implementation until later.

Washington's ability to push its own more rapid timetable for tariff reductions in any case depends on whether it can convince Latin American governments that it can follow up on its pledges. That depends on Congress granting "fast track" authority – which allows the administration to negotiate trade deals without a line-by-line veto from Congress – an issue on which there has been little progress to date.

Argentina's wine takes on fresh sparkle

The country is challenging the top growers in the New World. **Andrea Campbell** reports

Since a Chilean monk first planted grape vines in Argentina more than 400 years ago Argentine wines seem to have been lost in the world's wine cellars among the numerous bottles from Chile, its more export-oriented Andean neighbour.

But after the successes of such countries as Australia and South Africa, Argentina is looking to clear a shelf for itself among the younger, fruitier New World wines that have come to challenge Europe's wine industry.

Argentina is the fourth largest wine producer in the world, but the full-bodied wines crafted to complement a hearty steak have failed to find favour in international fine wine circles. That is, until now.

A newly reinvigorated industry has been attending international exhibitions, sponsoring tasting tours and flying in wine journalists and critics to savour Cabernet, Malbec and Merlot fed on glacial springs and mountain sunlight.

By adapting Argentine wines more to international tastes and teaming up with government in a joint effort to market their wines abroad, Argentine wineries have seen sales of fine wines jump by 300 per cent between 1994 and 1996. With the guidance of the Argentine Wine Producers' Association, 30 of the country's 1,500 wineries have banded together under the banner of Argentine Top Wines, through which fine wine producers have managed to quadruple exports to trendsetting markets such as the UK.

"The Argentine wine industry is taking off and it's because the wine producers want to make this happen," said Mr Mario Giordano, manager of the Argentine Wine Producer's Association.

The 107-year-old Bodega Lavaque, in the heart of the wine-producing province of Mendoza, has invested US$20m in the last few years, acquiring the best grape varieties from around the world, contracting viticulturists from California, Australia and France, and investing in French oak barrels and new labels.

Following the example of California's Napa Valley, Lavaque added a showroom, restaurant and hotel complex to its Michel Torino winery in the northern province of Salta. Lavaque and other fine wine producers are betting that new investments will bring new markets to replace the steady decline in internal consumption due to increased competition from beer and soft drinks. So far Lavaque's investment has paid off with sales doubling since 1995.

The industry's new energy comes after years of decline. Many countries refused to buy wine from Argentina during the years of military rule and when democracy was restored in 1983 hyperinflation paralysed the economy. As a result, winery investment was non-existent and the number of planted hectares dropped from 300,000 in 1978 to the current 200,000.

It was not until the economic opening brought on by monetary stabilisation in the early 1990s that the industry began to breathe signs of new life, boosted by an influx of foreign investment. In the last few years beverage multinationals such as Pernod Ricard, Allied Domecq and Hiram Walker have all acquired Argentine wineries.

The renewed confidence brought with it a change in direction. After years of planting high-yield low-quality grapes for table wines, the wineries are returning to their fine wine roots.

The US and Britain remain Argentina's main markets, but the wineries are also looking to develop a foothold in the Far East, where small shipments have begun arriving in Japan and Hong Kong.

The country's producers have seen fine wine sales jump 300 per cent from 1994 to 1996

The only obstacle to what appears to be an unlimited growth potential is Argentina's liberal use of wine denominations from other countries. By not legally defining its own origins and varieties, Argentina is facing a commercial backlash from some countries such as Spain, which has held up the delivery of 10,000 cases of red wine to Sweden since December.

The wine's labelling, called La Rioja after the Argentine province, is being rejected by Spain, which has its own Rioja denominated wines.

Exports still represent less than 9 per cent of overall production compared with 20 per cent in Chile, and the Argentines would like to copy Chile's marketing success and combine it with their vastly greater production volume.

But unlike the Chileans, who have flooded the market with cheap wines and are now faced with trying to raise prices on their limited production, the Argentine plan is to sell fine wines at mid-level prices, said one leading wine exporter.

"Chile has been a good business for all retailers and Argentina is going to be an even better business – and we aren't going to run out of wine," the exporter said.

Snubbed Israeli envoy resigns

By Judy Dempsey

Israel's new ambassador to Jordan resigned yesterday after Mr Benjamin Netanyahu, the prime minister, failed to inform him in advance of his secret meeting last week with King Hussein.

The resignation of Mr Oden Eran highlights a breakdown of communication and consultation between Mr Netanyahu and the foreign ministry. Even though he promised more open government after last month's Bar-On scandal, senior officials said Mr Netanyahu remained suspicious of anyone who did not help him win the election or is not a loyal Likud supporter.

Mr Eran told Israel radio he did not intend to be a censor or an obstacle to meetings, "but there is a need to brief the embassy on actions being taken." Mr Netanyahu had flown to the Jordanian port of Aqaba to resolve a water dispute and to try to mend relations with Israel's only Arab ally.

Mr Shai Bazak, Mr Netanyahu's spokesman, said the foreign ministry was not being circumvented and in future there would be co-operation with the ministry.

US concern at property dealer's death

By Judy Dempsey in Jerusalem

The death of a Palestinian real estate dealer has highlighted a growing struggle by Palestinians to hold on to land in east Jerusalem and has led Washington to express its concern at possible political motives.

Mr Farid Bashiti, who Palestinian human rights groups said "had many enemies", had been selling Palestinian land in east Jerusalem to Jews for 30 years.

His death, which allegedly took place in the West Bank town of Ramallah, coincides with attempts by the Palestinian Authority to impose harsh measures on any Palestinian selling land to Jews.

At the same time the Israeli government continues to confiscate land in Arab east Jerusalem and Palestinians face increasing difficulties in keeping their residence in the city after living abroad.

The US State Department said it would be "highly disturbing" if Mr Bashiti's death was found to be politically motivated, but would await results of an inquiry.

Mr Freih Abu Medein, the Palestinian Authority's justice minister, last week revived an old Jordanian law which banned Palestinians from selling land to Jews when Jordan governed the West Bank and east Jerusalem between 1948 and 1967.

Mr Shawqi Issa, director of LAW, a Palestinian human rights organisation, said he agreed with law's revival since Israel prevented Jews from selling land to Palestinians in Israel. Furthermore, Palestinians had had no right to compensation, nor right of return or restitution of their land when they fled Israel after the 1948 war of independence or the 1967 Six-day war.

Since 1948 Palestinian property in Israel or the West Bank was often sold through intermediaries to Jews or confiscated.

"It means that if the refugee problem is ever solved, Palestinians will not be able to seek any kind of compensation because the land will have been registered in the Israeli land registry," Mr Issa said. "Land documents could become worthless pieces of paper."

The struggle to hold on to land has been supported by the Palestinian-appointed mufti of Jerusalem, Akrime Sabri. Last week, he told worshippers at the Al-Aksa Mosque that Moslems who sold land to non-believers in Jerusalem would be considered infidels. Mr Bashiti would be denied a Moslem burial.

Attempts to stem Palestinian property sales to Jews have also won support from a group of Palestinian and Jordanian businessmen which last month launched a campaign to raise $500m to buy and develop Arab property in east Jerusalem through a holding company. It will also offer legal help to east Jerusalem property owners to protect their real estate from Israeli buyers.

New El Al chief faces tough sell-off fight

By Avi Machlis in Tel Aviv

The board of directors of El Al, Israel's loss-making state-owned airline, will today consider measures to turn around the company's fortunes, spelled out in a 250-page strategic plan.

The need to rehabilitate the airline follows estimated losses of $80m (£49m) on revenues of $1.2bn last year.

Mr Joel Feldshuh, the newly appointed president, hopes to cut those losses to $45m this year. His task has taken on extra urgency since the government recently revived promises to privatise the company.

But six months into the job, Mr Feldshuh has discovered that preparing the airline for privatisation is no easy task.

Rising fuel prices, an overvalued shekel and a slight drop in tourist traffic to Israel from 2.5m in 1995 to

Feldshuh: urgent task

2.35m in 1996 contributed to last year's slide into the red. Meanwhile, the government's decision in 1994 to try to encourage tourism through an "open skies" policy caught El Al unprepared for increased competition and lower fares.

Mr Feldshuh, a retired air force brigadier-general with only four years' civilian business experience, believes the only way to confront this "new business environment" is to free El Al of government control.

"The company needs to be privatised quite badly," he said: "If you [the government] have opened the market and are preaching free enterprise we must be allowed to compete like any other company."

For nearly 10 years, successive governments have rehashed plans to sell El Al. Mr Raphael Harlev, the company's former president, resigned last year in protest at the previous Labour-led government's lacklustre privatisation efforts.

Mr Benjamin Netanyahu, the prime minister, has repeatedly pledged to privatise at any cost.

This commitment will be put to the test with El Al, especially since analysts say its flagging financial state would draw a low valuation.

Any privatisation scheme faces enormous obstacles. The most problematic is a government-imposed ban on flights on the Jewish sabbath, from Fridays at sunset to Saturday nights. This grounds El Al's fleet for about 20 per cent of its potential flying time, and costs an estimated $40m-$80m in annual profits.

Mr Yitzhak Levy, the transport minister who must approve the sell-off, is an orthodox Jew who has vowed to impose this ban on any potential buyer.

Mr Feldshuh knows privatisation of El Al will not take off if the government insists on keeping his fleet of 28 aircraft on the ground each weekend.

"No reasonable person will buy into the company if they know it will cost them $80m a year because the airline doesn't fly seven days a week," he said.

Profits are also squeezed by steep security costs. Even if the sabbath ban is scrapped, the government will ensure tight security is maintained under any future owner. El Al spent about $30m on security in 1996, while the government paid an additional $90m.

Airtight security is El Al's trademark, but it has contributed to its reputation for poor inflight service, as many passengers who have experienced pre-flight interrogations can attest. "But service and security do not contradict," said Mr Feldshuh, pledging to send all of El Al's 3,500 employees including security personnel to service training programmes as part of the new plan.

Improving service alone, however, will not solve El Al's problems. Mr Feldshuh said he had taken initial steps to restructure the company. For example, cargo operations, which account for about 20 per cent of revenues, had been given more financial autonomy.

The strategic plan also envisages a greater shift towards cargo. This would offset El Al's susceptibility to the volatile tourist industry, while abandoning unprofitable passenger routes.

Mr Feldshuh has been attacked in recent weeks by board members who now must approve his plan.

Mr Ya'akov Perry, director of the Cellcom cellular telephone network, recently resigned from the board saying the new president had not drawn up any "comprehensive plans" to solve El Al's problems.

It is now up to Mr Feldshuh to prove to them that he is taking El Al on the smoothest route upwards.

Seven in race to head WHO

By Frances Williams in Geneva

The World Health Organisation ends its annual assembly today with seven candidates already declared in the race to succeed Dr Hiroshi Nakajima of Japan as director-general next year.

Front-runners at this stage are said to be Mrs Gro Harlem Brundtland, former prime minister of Norway, and Dr Nafis Sadik of Pakistan, head of the United Nations Population Fund.

The other candidates are Sir George Alleyne of Barbados, director of the WHO's regional office for the Americas; Dr Fernando Antezana Aranibar of Bolivia, a WHO deputy director general; Dr Arif Bataineh, former Jordanian health minister; Dr Uton Muchtar Rafei of Indonesia, regional director for south-east Asia, and Dr Ebrahim Samba, regional director for Africa (from Gambia).

Formal nominations open in July. The final selection will be made by the WHO's 31-member executive board next January for approval by the World Health Assembly in May next year.

Ms Donna Shalala, US health secretary, said last week that Washington had not taken a position on any of the candidates in a "very strong field" and was concentrating on the reforms it wants the new director-general to pursue.

Dr Nakajima's two terms in office have been marred by persistent criticism from the US and other western governments of his management performance and leadership.

Washington failed at this year's assembly to push through a 5 per cent budget cut for 1998-99, securing only an accord to keep the regular budget at the present $842.7m for the two years rather than the $846.1m proposed by Dr Nakajima.

The US expects to see its own contribution fall substantially next year, because of a general review of country assessments now under way at the UN in New York. Washington at present pays 25 per cent of the regular budget of the UN and the main specialised agencies, a share it hopes to reduce to 20 per cent for the coming two years.

At its final session, the World Health Assembly is due to adopt a series of resolutions, including one condemning the possible cloning of humans as "ethically unacceptable".

Another resolution adopted on Monday asks the WHO to monitor and make recommendations on the rapid growth of medicine sales through the Internet. Many fear the practice could put consumers at risk through uncontrolled distribution of prescription medicines.

Lunch is off for cassava mite

By Alison Maitland in London

Scientists today claim a breakthrough in control of one of the most devastating pests of cassava, the starchy root crop that is a staple food for nearly 500m people in the developing world.

Field tests using a predatory mite imported into Africa from South America have cut populations of the green mite pest by up to 90 per cent and boosted cassava production by a third, they said in Washington.

The beneficial mite has now established a presence over 400,000 sq km in west Africa, according to the International Institute of Tropical Agriculture in Ibadan, Nigeria.

Mr Steve Yaninek, who has been conducting trials in Benin, said the international research teams were now seeking funding to spread the predator across central Africa and to parts of the east and south of the continent. The resulting increase in production could be worth $200m a year to African farmers.

"This is the first time anywhere that a mite pest on a field crop is being controlled on a continent-wide scale using classical biological control, a method that does not require the use of pesticides," he declared.

Cassava was introduced from south America to Africa 400 years ago, but the green mite, similar to spider mites found on potted plants, only arrived in 1971.

Smaller than a full stop, the mites came unaccompanied by natural predators and disease and destroyed a third to half of the cassava crop in 27 African countries. "It was like a free lunch," said Mr Yaninek.

Mr Hans Herren, a leading Swiss entomologist who helped to save cassava from the devastating mealybug in the 1980s using a parasitic wasp, welcomed the results of the mite research he initiated 15 years ago.

"It shows you will find solutions in nature if you know where to look, rather than going for heavy investment in (genetic) engineering, which farmers won't be able to afford in the end."

Mr Lincoln Smith, biological control specialist at the International Centre for Tropical Agriculture in Colombia, said the predators were collected from the wild in South America and flown in insulated boxes via Amsterdam to Benin.

Rigorous tests have been carried out to check the mites do not switch diet to beneficial insects. "There's a 99.9 per cent chance they're not going to cause problems on anything else," said Mr Smith.

Mobutu seeks his salvation in a cleric

By Michela Wrong in Kinshasa

In times of crisis, people turn to religion as a last resort. The maxim has proved true in Zaire, where the cornered President Mobutu Sese Seko is looking to the country's most prominent cleric for his salvation.

A possible role for Catholic Archbishop Laurent Monsengwo, recently re-elected speaker of parliament, is expected to feature at the second round of shipboard talks scheduled between Mr Mobutu and the rebel leader, Mr Laurent Kabila.

With rebels reported to be closing in on Kinshasa, the president appears to have accepted the inevitability of his departure. What he wants now, diplomats say, is to go with dignity.

Handing over to the archbishop, his constitutional successor, who could hold the line until the rebels took over, would allow him to do just that.

That plan, a favourite with French negotiators, looks doomed. The Alliance of Democratic Forces for the Liberation of Congo (AFDL) has dismissed it as "nonsense", and insists it wants power passed directly to the rebels. Zaire's main opposition party objects to it.

A second summit between President Mobutu Sese Seko and the rebel leader, Mr Laurent Kabila, will take place as scheduled on board the SAS Outeniqua today, South African officials insisted yesterday, Michela Wrong reports. President Nelson Mandela's office said negotiators had drawn up the skeleton of a peace agreement to be confirmed on the warship and both leaders had promised to attend.

Waiving the rules forbidding churchmen from playing politics would require the Pope's blessing, approval the Vatican would give only if it was clear he was a consensus candidate.

While it is looking increasingly unlikely the Archbishop of Kisangani will be the next president of Zaire, many believe he has a significant role to play during the transition of power. The fact the 57-year-old churchman has returned to Kinshasa from a long stay in Rome indicates he shares that view.

"Monsengwo has a role to play as mediator," insists a church official. "But what precise form that takes remains to be seen."

The qualities that fit him for that task are those that originally dragged him into the hurly-burly of Zairean politics.

Because of Mr Mobutu's divide-and-rule principle, Zaire's democratic transition has been marred by interminable squabbling among opposition parties, many of them set up as spoilers by the president himself.

When the wrangling threatened to get out of hand at Zaire's ground-breaking National Conference in the early 1990s, the archbishop was the only neutral figure with the moral stature to arbitrate.

Like a patient schoolmaster, he brought first the unruly conference, then the parliament that replaced it, to heel, guiding a new constitution clause by clause through the chamber.

Few others could have seen the task through. But the archbishop, holder of a doctorate in biblical studies,

Archbishop Laurent Monsengwo: key role to play during a transition *Reuter*

is an intellectual heavyweight. Widely travelled, and a prolific author, he speaks Swahili, Lingala and French, and can crack jokes in both Italian and Latin.

Supporters say the archbishop believed it was possible to reform the regime by confining Mr Mobutu's sweeping powers within a legal framework. History suggests the opposite: that only armed revolt can oust a dictatorship.

But for the radical opposition, the archbishop's role in the 1994 sidelining of Mr Etienne Tshisekedi, allowing Mr Kengo Wa Dondo to be nominated prime minister in his stead, meant he was a Mobutu supporter.

Opposition newspapers heaped abuse on him and his reputation was seriously dented. In an unholy alliance, Mr Mobutu's supporters and the opposition joined hands to sack him as speaker in 1995, an ousting he and western diplomats recognised only in 1996.

Moderate politicians have since admitted sacking the archbishop was a serious mistake, but he swore never to dabble again in politics.

The fact that despite such a scarring experience he is considering re-entering the fray suggests that like many Zaireans, he fears the approaching crisis could be so apocalyptic it is worth laying his reputation on the line again.

Can African economies sustain their recovery?

The world's poorest continent must attract global capital to maintain economic growth, argues Tony Hawkins

Blip or trend? Is Sub-Saharan Africa in the throes of a sustained economic upswing or is last year's 5 per cent growth in gross domestic product, with similar expansion this year, a flash in the pan?

The aid lobby, conscious that its standing in Africa has never been lower, hopes the region is turning the corner. "There are signs," says the International Monetary Fund's World Economic Outlook, "that the implementation of stronger macroeconomic and structural policies and improvements in governance have begun to produce higher growth in an increasing number of countries".

The IMF sees continued recovery in several Franc Zone economies following the 50 per cent devaluation of the CFA franc three years ago, while Ghana, Kenya, Malawi and Uganda are also achieving success.

Last year's 5 per cent growth in African economies was the best in two decades, reflecting "strong activity" in primary product sectors, especially agriculture, as several countries recovered after poor weather.

The 28 per cent rise in the dollar price of oil (the region's top export) in 1995-96 was an important factor along with the 1994-95 upturn in non-fuel commodity prices. But with some of these influences – notably the dollar prices of oil and non-fuel commodities – running out of steam or being reversed this year, and with less favourable weather in parts of southern and east Africa, some slowdown in growth is likely.

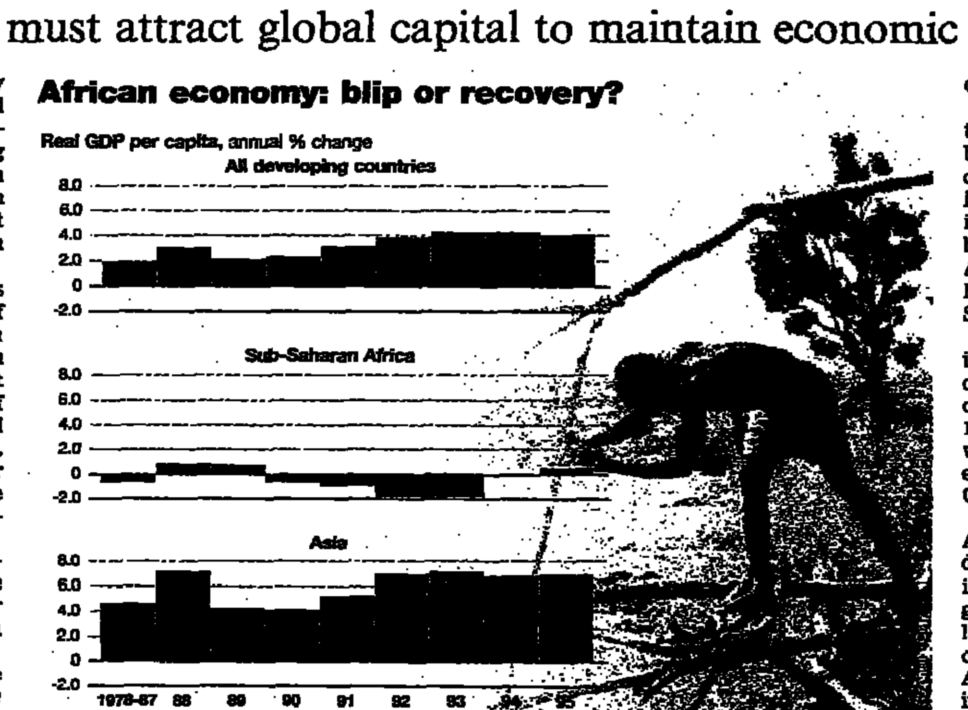
The growth performance is welcome after 20 years of declining real per capita incomes, but whether it can be sustained depends not just on the momentum of economic and political reform being maintained, which cannot be taken for granted, but also on the emergence of a very different pattern of development.

Many of the region's current difficulties can be traced to its failure – or inability – to participate in the globalisation process.

The IMF notes that the region's share of world trade has fallen from 3 per cent in the mid-1950s to 1 per cent in 1995. It attracts a mere 3 per cent of the foreign direct investment to developing countries.

Since 1965, the average per capita income in Africa has halved from 14 per cent of average industrial country levels to 7 per cent. Today, 47 sub-Saharan countries account for only 2.4 per cent of global GDP. And of that, almost 40 per cent is contributed by just two countries, South Africa and Nigeria.

For the blip to become a trend, the region must win a bigger share of world exports and of capital flows.



There are some encouraging developments – notably accelerating privatisation in several countries, but more importantly the revival of international exploration and development in the oil, gas and mining sectors, especially in West Africa.

But because such a growth pattern deepens dependence on primary commodities it falls well short of what is needed to generate Asian-style manufacturing-led and export-led growth.

This not going to happen without a strong revival of private investment and especially, foreign investment. Recent trends are dispiriting; while the decline in aid has a positive flipside – forcing governments to court private capital far more aggressively than before – only a handful of sub-Saharan countries are making any real headway.

According to the World Bank, aggregate net resource flows to the region rose 12 per cent last year to over $26bn, but more than half of this came from official sources, including $11.8bn in grants – 38 per cent of the global aid flow.

And while private flows more than doubled from $5.2bn in 1994 to $11.8bn last year, over half went to just one country, South Africa.

It accounted for $5.6bn of the $5.8bn in commercial bank lending to sub-saharan countries, while more than half the $800m in net bond issues represented offshore borrowing by Pretoria. About 89 per cent of portfolio equity flows went to South Africa too.

While foreign direct investment increased 18 per cent to $2.6bn in 1996, not only was this lower than in 1994 ($3.1bn) but the bulk went to a handful of oil exporters – Nigeria, Angola, Cameroon and Gabon.

Meanwhile, Sub-Saharan Africa's share of foreign direct investment in developing countries continues its gentle slide – to 2.4 per cent last year from over 3 per cent in the early 1990s. Although aid flows increased in 1996, after adjustment for exchange rate changes and inflation, they have fallen 15 per cent from their 1990 peak, and the region's aid/GNP ratio declined to 7.8 per cent in 1994-95 from 22 per cent a decade ago.

Twenty years of huge aid inflows have left the region with precious little to show for itself other than an often unsustainable foreign debt burden. But so long as private investment flows are so heavily concentrated in a handful of countries, growth in at least half of the 47 countries will depend substantially on foreign aid.

The 1995-96 upswing will be sustained only if four long-term trends are reversed – the decline in agricultural output, de-industrialisation, falling investment in both the private and public sectors, and the deterioration in the region's institutional capacity, to which the donor community has contributed in no small measure by fostering aid addiction.

A generation of aid initiatives has left a legacy of understandable scepticism. The current crop – Washington's African Growth and Opportunity Act, the World Bank and the IMF's debt reduction initiative for highly indebted countries, Unido's Alliance for African Industrialisation with its focus on agro-industry where the continent has competitive advantage – are all steps in the right direction, but whether they will create the platform for self-sustaining sub-Saharan growth is problematic.

The hard reality is that no aid programme can deliver the foreign private investment, without which sub-Saharan Africa will continue to lag the rest of the developing world. Aid, if it builds rather than undermines capacity and institutions, can help create the right environment for private investment. But it cannot plug the gap.

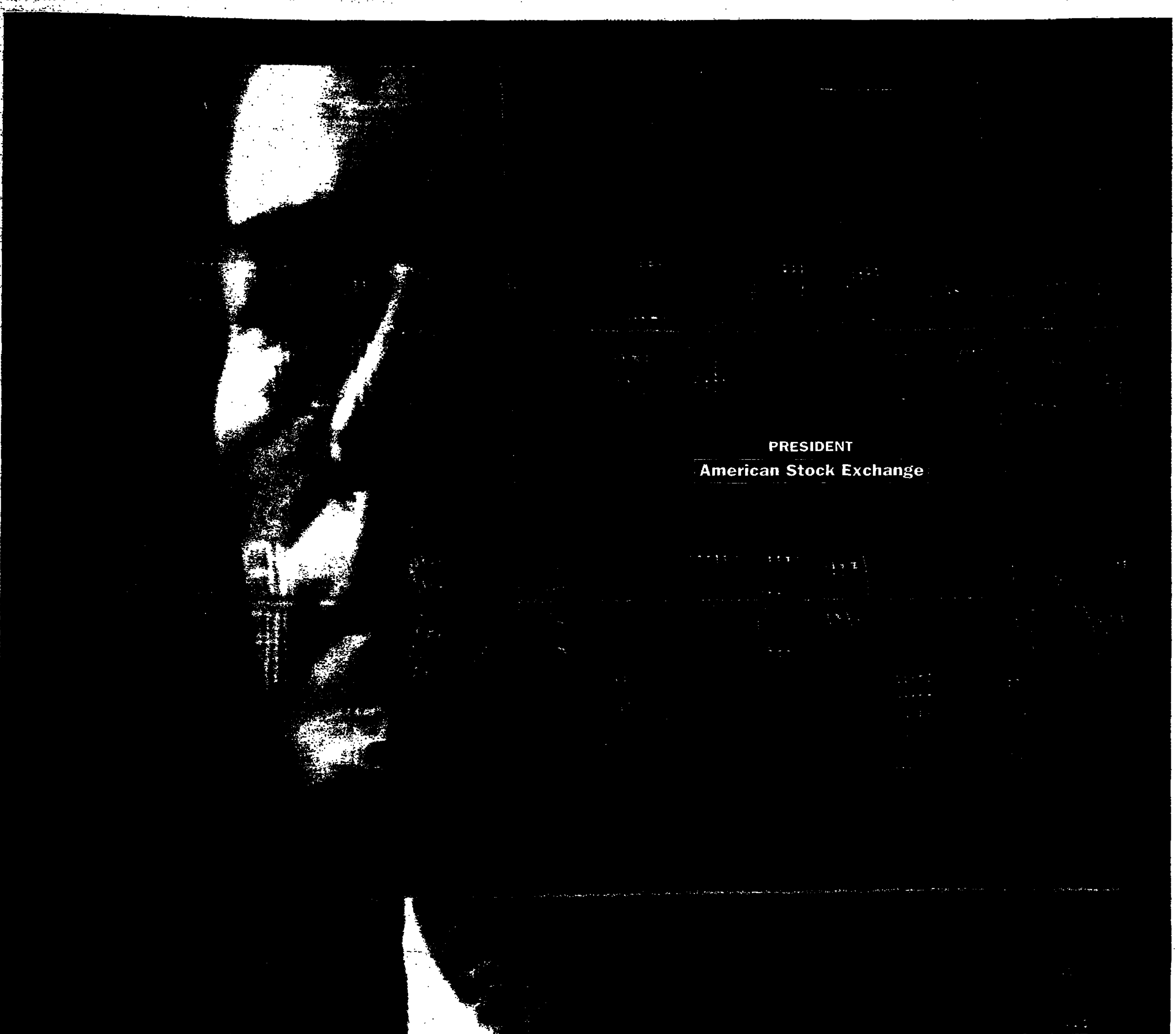
WEDNESDAY MAY 14 1997

Seven in race to head WHO

By Frances Williams in Geneva

ecovery?

Tony Hawkins



NEWS: ASIA-PACIFIC

Chirac to clinch trade deals in China

By James Harding in Shanghai

Mr Jacques Chirac, the French president, arrives in Beijing tomorrow to seal a clutch of big contracts, boosting French business interests in China and cementing an improvement in bilateral relations

Mr Chirac's visit, on which he will be accompanied by more than 50 top French businessmen, is the first by a French president since 1983. It marks the restoration of Paris' close relationship with Beijing, dogged for a decade by France's protests over human rights abuses and its sale of fighter aircraft to Taiwan.

China is expected to sign a multi-billion-dollar order for European Airbuses and grant operating licences to Axa UAP, the French insurance company, and several French banks.

France recently earned Beijing's gratitude – and criticism from many of its European Union partners – by taking the lead in scuppering a Danish-sponsored proposal for a UN resolution condemning China's human rights record. "China will be saying thank you to France for taking its side [on human rights] in the only way it knows how, by signing contracts," a European diplomat said yesterday.

Industry insiders believe China may order as many as 50 Airbuses worth about $2bn – three times the value of the contract for five Boeing 777-200 airliners signed when Mr Al Gore, the US vice-president, visited China in late March.

The deal will be watched closely in Washington, where there are concerns that any hint of Chinese favouritism towards Airbus could complicate US President Bill Clinton's efforts to improve political and trade relations with Beijing.

Some observers fear erosion of Boeing's dominance of the Chinese market could increase alarm in Congress over China's rising trade surplus with the US and hand ammunition to opponents of renewal of China's Most Favoured Nation trade status this year.

Mr Chirac will also be lobbying for GEC-Alsthom's bid to build turbines for the Three Gorges Dam, the world's largest hydroelectric project. The project has been criticised as unsound by the US and by environmentalists.

The French president's visit, during France's parliamentary election campaign, is intended to reinforce his image at home as an exports salesman.

As well as granting Axa UAP one of the first licences issues to a European company to conduct life insurance business in Shanghai, China is expected to authorise Banque Nationale de Paris and Société Générale to open branches in Beijing.

After meeting China's President Jiang Zemin tomorrow afternoon, Mr Chirac is expected to preside over an intergovernmental agreement on the environment.

French exports ride on backs of politicians

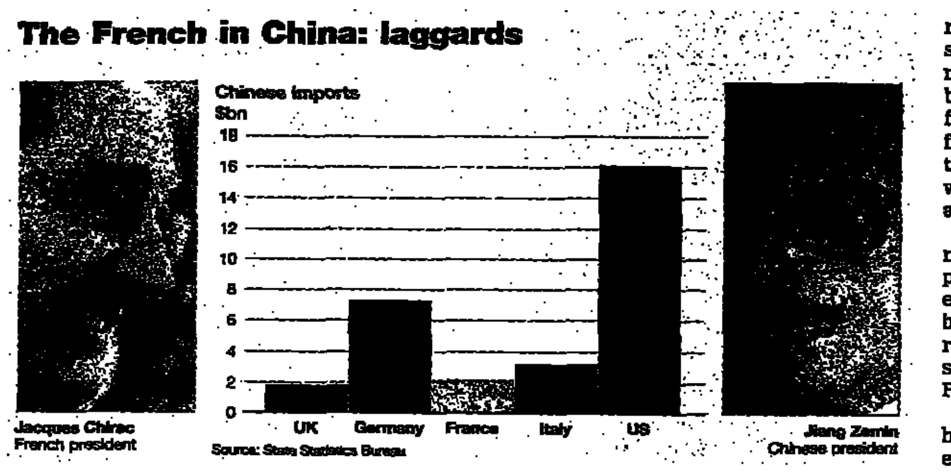
There is a sense among European businessmen in China that their operations proceed pretty smoothly until politicians back home interfere and foul things up.

In the case of France's relationship with China, however, the perception is arguably the reverse.

Over the years, French politicians have proved adept at securing lucrative deals, but, left to their own devices, the country's businessmen have had a patchy record in China.

President Jacques Chirac, who arrives in Beijing tomorrow, is keenly aware that corporate France is punching beneath its weight. "France does not occupy yet in China a place which measures up to the potential of our two economies," he told Chinese state media this week.

French exports, which make up 5.6 per cent of world trade, account for only 1.67 per cent of sales into China. France ranks 11th among foreign countries selling goods to China, behind not only Germany, but also Italy, Canada and South Korea. France accounted for 0.8 per cent of investment in China in 1995, well behind the UK and Germany.



Mr Chirac, on his longest visit to a single country since becoming president in 1995, wants to see French exports to rise to 6 per cent of China's total trade and a bundle of contracts to be signed tomorrow should lift the figures for 1997.

Beyond the signing ceremonies, Mr Chirac the salesman will be lobbying the Chinese on behalf of GEC-Alsthom's bid for at least some of the 14 power units, including turbines and generators, that will serve the $30bn Three Gorges dam.

The pattern is familiar. While most foreign dignitaries expect visits to China to be accompanied by high-profile deals, France's leaders have a history of generating business.

After President Miterrand's visit in 1983, Framatome, the French nuclear reactor supplier, won the contract to supply the 1,800MW Daya Bay complex north-east of Hong Kong, still regarded by French commercial officials as "the most successful French deal in China". Following Prime Minister Edouard Balladur's trip in 1994, Framatome won part of the contract for the reactors to another 1,800MW facility at nearby Ling Ao.

Politics has not always been kind to French businesses. During the Mitterrand years, confrontation over human rights abuses, notably France's outspoken stand following the Tiananmen massacre in 1989, hurt business. Nor did the deal five years ago to sell Mirage fighter jets to Taiwan win the French favour in Beijing, which regards the island as a renegade province.

There have been some notable successes. For example, Alcatel, the telecoms equipment supplier, has built strong market share regardless of the sometimes stormy relationship between Paris and Beijing.

But the record in general has not been inspiring. Peugeot, the French carmaker, is poised to withdraw from its disastrous joint venture in Guangdong in southern China, having taken a minority stake and then struggled to control the enterprise in a fiercely competitive car market.

Elf Aquitaine, in spite of recent ventures in China, is still known for having presided over one of the most dramatic withdrawals in recent years, pulling out of a planned $2.5bn Shanghai oil refinery in the light of soaring costs.

French officials believe medium-sized businesses as well as big one-off contracts could raise France's performance in China. "There is a problem of the willingness of French enterprises to come to China. It is far away. The language is difficult. And, perhaps, they have less dynamism than other European businessmen," says a French diplomat.

The broader problem though is political. As one rival European official observes: "The French often do not seem capable of standing up without some political help. They rely too heavily on concessional finance. They rely on high-level diplomacy. And that means that when relations are good, so is business."

Mr Chirac's visit will almost certainly be heralded as a boost to France's business interests in China, as the French president squeezes what he calls the "privileged partnership" for commercial results. What will matter, though, is corporate France's performance after he has gone.

James Harding

ASIA-PACIFIC NEWS DIGEST

HK warning on bank computers

Almost half of Hong Kong's banks have not made plans to prepare for potential computer malfunctions at the arrival of the year 2000, according to a survey by the Hong Kong Monetary Authority, the territory's banking industry regulator. Mr David Carse, deputy chief executive, urged banking executives to take action. "There is no magic solution and you need to deal with it now," he said. "Everybody faces the same deadline and is competing for scarce resources to put the problem right," he said.

When the year 2000 begins computers that have not been programmed to recognise the new date will malfunction. He warned that in addition to disruption and losses, banks could be exposed to law suits.

According to the HKMA survey, only 29 per cent of banking institutions have already taken the measures needed for the date change at the end of the century.

Mr Carse said there may have to be formal action under the banking ordinance. "We have the legal powers if necessary to enforce action on authorised institutions," he said. "The issue is one of continuing your business after the year 2000." *John Ridding, Hong Kong*

Japanese machinery purchases

Japanese companies spent 0.1 per cent more on machinery in March than they did in the same month last year, and are set to increase their purchases further over the next few months, on the evidence of official data released yesterday. The latest government survey of machinery spending, an advance indicator of general corporate capital investment six to nine months ahead, appears to support the view of many equity investors that the Japanese economy is standing up better than expected to a recent rise in sales tax.

Machinery orders are forecast to rise by 4.5 per cent from the three months ending in January to the current quarter ending in June, according to a survey of 300 large companies by the Economic Planning Agency. This comes after a 7 per cent decline in orders in the three months to March by comparison with the previous quarter. "The basic trend of continuing increases has not changed," said an EPA official. *William Dawkins, Tokyo*

China warning on Spratlys

The war of words between Manila and Beijing over the Spratly islands escalated yesterday as China warned that raising a Philippine flag on a disputed island was "a serious violation" of its sovereignty. Mr Hao Yinbiao, Chinese embassy spokesman, said Beijing's sovereignty over Scarborough shoal was not disputed by the international community. "Actions of the Philippine side have constituted a serious violation of China's territorial integrity," he said. Mr Hao said China was engaged in "joint international amateur radio exploration activities" on the island. *Justin Marozzi, Manila*

Canberra to repay A$5bn debt

By Nikki Tait in Canberra

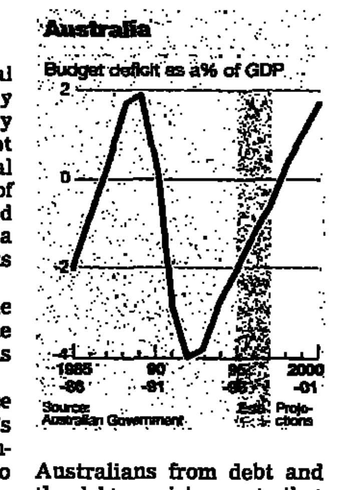
The Australian federal government yesterday announced plans to repay A$5.2bn (US$4bn) of debt over the coming financial year, saying A$10bn-plus of privatisation receipts should push its budget finances to a A$6.4bn "headline" surplus in 1997-98.

It will be the first time since the late 1980s that the country's debt position has not increased.

In its second budget since winning office, Australia's conservative federal government said it expected to have no net borrowing requirement through to the turn of the century. It expected total debt repaid over the next four years would be almost A$26bn.

Federal government debt as a portion of gross domestic product would drop from 19 per cent in 1995-96 to about 10.5 per cent by 2000-01.

Mr Peter Costello, federal treasurer, claimed the privatisation programme and associated borrowing repayments would "free future Australians from debt and the debt servicing costs that threatened to choke them.



"By paying our way... our prospects are getting brighter and our opportunities greater," he told federal parliament last night.

The government's strategy was immediately attacked by the Labor opposition, which claimed it was a budget "by accountants, for accountants – and nothing to do with people".

Mr Gareth Evans, shadow treasurer, homed in on the "lack of attention" to Australia's unemployment problem. "The government knows you can't do anything about unemployment unless growth is over 4 per cent," he said. "This is the most directionless, complacent budget I've ever seen, in doing nothing about the nation's biggest problem."

The budget forecasts point to an improvement in the economy in the next financial year, with growth predicted to reach 3.75 per cent in 1997-98, largely because of higher private consumption spending, against about 2.5-3 per cent now. Inflation should remain modest, the headline rate at just 1 per cent.

But unemployment will probably remain high, with the jobless rate forecast to stand at about 8 per cent by mid-1998, against 8.8 per cent at present.

Continued growth in business investment is forecast, though slower overall than in 1997-98, with no improvement seen for the current account deficit, expected to reach A$21bn, or about 4 per cent of GDP, in the next financial year.

The government said its "underlying" deficit in the current 1996-97 financial year should be about A$6.9bn, compared with the A$5.6bn forecast at the time of the last budget, though asset sale proceeds and a special dividend from Telstra, the government-owned telecoms group, should mean a tiny "headline" surplus of A$800m.

By 1997-98, privatisation proceeds would swell to A$10.3bn, because of proceeds from airport and rail sales and partial privatisation of Telstra.

Coupled with some relatively modest extra outlay savings announced yesterday, partly from health and pharmaceutical payments, and the replacement of the former Labor government's superannuation plan with a much cheaper savings rebate scheme, this should leave an underlying deficit of A$3.9bn in 1997-98, and a "headline" surplus of A$6.4bn.

These new savings would then be sufficient to ensure an underlying surplus, even before privatisation receipts, of A$1.6bn by 1998-99.

Collapse of Texas Instruments deal an isolated case, says minister

Thai hi-tech plans 'on course'

By Peter Montagnon in Fukuoka, Japan

The collapse of the $1.4bn partnership between Alphatec of Thailand and Texas Instruments to establish electronics plants in Thailand is an isolated case which does not threaten the country's efforts to upgrade its industry and expand its higher-value-added exports, Mr Amnuay Viravan, the finance minister, said.

Alphatec blamed the break-up of its partnership at the end of last week on Thailand's economic slowdown and resulting financial crisis. Mr Charn Uswachoke, its president, said banks' losses on property development were making them more careful about all forms of lending. He called on the Thai government to take a more interventionist approach, like that of Singapore, in promoting high technology industry.

But Mr Amnuay said in an interview during the annual meeting of the Asian Development Bank in Fukuoka, Japan, that there was no need for any policy switch. Alphatec's problems arose because its financial needs were simply too large for Thailand's markets. "Alphatec may have to slow down its expansion and seek a new partner," he said. "They have to blame someone if they cannot raise funds, but I would argue that it's not a crisis."

Mr Amnuay pointed to IBM's expansion in Thailand which was set to generate exports of over $3bn in the next three years as evidence the country was successfully promoting technological advance. Thailand was also strong in automotive parts which required high technology, he said, and multinationals were not short of funds for investment.

General Chavalit Yongchaiyudh, prime minister, announced that he might take a more active role in managing the economy in the wake of the Alphatec development, with possibly a reduced role for Mr Amnuay. But the finance minister said the reports were distorted.

Thailand was on course with its policy to promote economic adjustment while maintaining reasonable growth, he added. The property lending crisis was past its worst because banks had taken account of the lower prices likely to be achieved as more property came on to the market. Short-term debt had fallen to 43 per cent of total foreign debt from a peak of nearly 50 per cent. Thailand's foreign debt is $87bn.

Mr Amnuay said that, thanks to repurchase arrangements with other central banks, Thailand could muster an additional $40bn to $50bn to defend its currency, the baht, against speculative attack. This was on top of its foreign exchange reserves of $40bn. Foreign exchange dealers believe this puts him in a strong position to defend the currency.

The Thai government must make further budget cuts or raise taxes this year, to avoid the country's first budget deficit in more than a decade, Thailand's central bank governor said yesterday, Ted Bardacke reports from Bangkok. Mr Berngchai Marakonond said a deficit, projected at about Bt20bn ($770m) even after an emergency round of budget cuts earlier this year, would further shake investor confidence, especially now he expected growth to be no more than 6 per cent this year. "Our economy is still in a transitional step toward stability. To maintain that stability, we need to keep fiscal discipline," Mr Rerngchai declared.He would meet Gen Chavalit Yongchaiyudh, the prime minister, tomorrow to discuss the matter. Analysts say Gen Chavalit will have a hard time convincing his coalition partners to accept further spending cuts. But a budget deficit would be likely to trigger a no-confidence motion in July.

LEGAL NOTICES

NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH Realty Investments VI N.V. (the "Company") is hereby given. The meeting is to take place at 10:00 a.m. on May 30, 1997, at the registered office of the Company, 14, John B. Gorsiraweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

1. Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
2. Discharge and subsequent re-election of Mr. Jack A. Cuneo as a member of the Board of Supervisory Directors.
3. Confirmation of the resignation and discharge of Mr. Thomas J. Brown as a member of the Board of Supervisory Directors as per January 31, 1997.
4. Confirmation of the resignation and discharge of Mr. D. Bruce Brunson as a member of the Board of Supervisory Directors as per May 1, 1997.
5. Election of Mr. Robert F. Aufenanger and Mr. James V. Caruso as members of the Board of Supervisory Directors as per the date of the meeting.
6. Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
7. Presentation of the Net Result of the fiscal year ended November 30, 1996 and the month ended December 31, 1996.
8. Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the fiscal year ended November 30, 1996 and the month ended December 31, 1996 and as presented in the report of the accounting firm of Ernst & Young LLP dated February 14, 1997.
9. Discharge and subsequent re-election of the Board of Managing Directors.
10. Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomante Corporation N.V., authorizing Yvomante Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvomante Corporation N.V., 14, John B. Gorsiraweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomante Corporation N.V. as to the voting of their shares by writing to Yvomante Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.
By: MeesPierson Trust (Curaçao) N.V.
Managing Director

NOTICE TO HOLDERS OF 11-1/2% SERIES A BONDS AND SERIES B BONDS ISSUED BY MLH REALTY INVESTMENTS VI N.V.

A recent review of the allocations of principal and interest payments between Series A and Series B bond holders has revealed a slight over allocation of principal payments to series B bond holders. Series A investors received $6.11 more interest and $6.11 less principal than previously reported, while Series B investors received $1.67 more principal and $1.67 less interest than previously reported. As a result, since February 15, 1996, Series A bonds have been accruing interest at a higher per-bond rate than Series B bonds. The remaining real estate investment of MLH Income Realty Partnership VI (the "Partnership") does not currently generate cash flow and it is expected that the Company will not receive further distributions until this last property is sold. Accordingly, upon any final distribution by the Partnership, the Company will calculate and pay to the Series A and Series B bond holders, to the extent assets of the Company are available, a final adjusted bond interest payment and final adjusted bond principal payment, in a manner consistent with the foregoing reallocation.

By: MLH Realty Investments VI (A) N.V. Inc,
(a wholly-owned subsidiary of the Company)

LEGAL NOTICES

KINGSCROFT INSURANCE COMPANY LIMITED
(formerly Kraft Insurance Company Limited, Dart and Kraft Insurance Company Limited, and Dart Insurance Company Limited)
and
WALBROOK INSURANCE COMPANY LIMITED
and
EL PASO INSURANCE COMPANY LIMITED
and
LIME STREET INSURANCE COMPANY LIMITED
(formerly Louisville Insurance Company Limited)
and
MUTUAL REINSURANCE COMPANY LIMITED
('the KWELM companies')

Notice is hereby given that the third ANNUAL MEETING of the Scheme Creditors of the KWELM companies convened pursuant to clause 8.1 of the Scheme of Arrangement ('the Arrangement') will be held at 2.30 pm (Eastern Standard Time) on Thursday 26 June 1997 at The Alvin Room, 5th Floor, New York Marriott Marquis, 1535 Broadway, New York, New York 10036, USA. The Scheme Administrators' report on the conduct of the affairs of the KWELM companies for the year to 31 December 1996 shall be laid before the meeting.

Scheme Creditors may attend in person (or, if a corporation, by a duly authorised representative) or they may appoint another person, whether a Scheme Creditor or not, as their representative to attend in their place. Forms of representation for use at the said meeting, copies of the Scheme Administrators' report and the Arrangement document incorporating the terms of the Arrangement are available on request to the Scheme Administrators at the address set out below.

Dated this day 13 May 1997
CJ Hughes and IDB Bond
Scheme Administrators
of the KWELM companies

Address for correspondence:
Plumtree Court,
London EC4A 4HT.
United Kingdom
Telephone + 44 171 583 5000
Fax + 44 171 212 6708

Note

A London meeting of the Scheme Creditors of the KWELM companies will be held at 2.00pm on Thursday 3 July 1997 at the Coopers & Lybrand Training Centre, 2-3 Bloomsbury Square, London WC1A 2RL, United Kingdom, for creditors unable to travel to New York.

هكذا من الأصل

'Domestic spending is growing too quickly'

Central bank looks to early rates rise

By Robert Chote, Economics Editor

The newly independent Bank of England warned yesterday that UK interest rates would need to rise in coming months, as it argued that domestic spending was growing too quickly to keep inflation under control.

The Bank adopted a hawkish tone in its latest quarterly Inflation Report, the first since the Bank was granted "operational responsibility" for setting interest rates last week.

"Unless the rate of domestic demand expansion is moderated soon, there will be a real threat to the inflation target over the medium term", the Bank said.

The report said last week's quarter-point rise in rates to 6.25 per cent was a step in the right direction, but added: "There is still likely to be a need for some further moderate tightening of policy in the months ahead".

From next month, interest rates will be set by a new monetary policy committee at the Bank. At present it consists of the governor and deputy-governor, plus the executive directors responsible for monetary policy and market operations. Four "recognised experts" will be named to join it in the next few days, with a new deputy-governor added after independence has been enshrined in legislation.

Mr Mervyn King, the Bank's chief economist, promised there would be no cabal of Bank insiders to stitch up interest rate decisions. He added that the inflation report would in future have to reflect the collective view of the policy committee.

The Bank expects underlying inflation – excluding mortgage interest payments – to fall in coming months, ending the year within the government's target range of 2.5 per cent or below. But inflation is then expected to pick up, rising to about 3 per cent by mid 1999.

Inflation is expected to fall in the short term because of the 16.5 per cent rise in sterling since last August, which cuts import prices and subdues demand for exports. But then strong growth in domestic demand – especially consumer spending – should dominate.

Mr King warned that the strength of sterling had created an imbalance within the economy, with services growing strongly and manufacturing – which is more exposed to international competition – faring relatively badly. "Higher interest rates would dampen domestic demand, but if they led to a further appreciation of sterling, would worsen the imbalance", the report said.

"The strongly-worded message on the inflation outlook constitutes a coded warning to Mr Gordon Brown, the chancellor, to use the forthcoming mini-Budget package as an opportunity to tighten fiscal policy", said Mr Alex Garrard, at UBS, the Swiss investment bank. Financial markets showed little reaction to the report. The pound ended 0.3 points higher at 98.8 per cent of its 1990 value.

Editorial comment, Page 13; Lex, Page 14

Roderick Allison: staff had not been trained adequately Reuters

Eurotunnel ordered to improve train safety

By Charles Batchelor, Transport Correspondent

Anglo-French authority calls for 36 changes to procedures after fire

Eurotunnel, the company which operates the Channel tunnel between England and France, was yesterday ordered to tighten up its safety procedures. The order came after a highly critical official inquiry into the tunnel fire of last November found "fundamental weaknesses" in the company's safety management.

The Anglo-French safety authority made 36 recommendations for improving safety in the tunnel and called for the company to correct these weaknesses "at the highest level". But it stopped short of ordering any changes in the controversial open-lattice design of the freight shuttle wagons involved in the fire.

This prompted a renewed call from the Fire Brigades Union for a ban on the wagons. Mr Jeremy Beech, the chief fire officer for the southern county of Kent – the main port of Dover is near the English end of the tunnel – and a member of the authority, said:"If we were starting with a clean sheet, I would prefer to have an enclosed design."

Thirty-one truck drivers and three train crew had to be led to safety through smoke after the fire broke out on November 18. Tunnel services have been restricted since then and freight shuttles banned. The total cost of repairs and lost revenues is put at more than £200m($324.00m).

The key recommendations made by the authority are:

- Eurotunnel should abandon its policy of driving burning trains out of the tunnel so they can be extinguished more quickly.
- It should test the truck drivers' coach and locomotive to ensure they are are smokeproof.
- Eurotunnel should improve staff training to cope with emergencies.

The go-ahead to resume freight shuttle services will depend on the approval of the Anglo-French intergovernmental commission which oversees the tunnel, said Mr Roderick Allison, chairman of the safety authority.

The report reveals that emergency exercises held just before the fire had uncovered delays in fire alert procedures, and that when the fire broke out five of the first six fire detectors in the tunnel only gave "unconfirmed" alarms despite witnesses seeing flames before the train entered the tunnel.

Mr Allison, said: "The incident was more serious than it should have been because the emergency procedures were too complex and demanding, and the staff on duty had not been adequately trained."

Mr John Prescott, deputy prime minister, called the report "an indictment of poor operating procedures and practices. I expect the company to implement [the recommendations] promptly and in full."

Eurotunnel, which last month unveiled a 10-point programme to improve safety, said: "We accept the main thrust of the safety authority's report." It hopes to restart a commercial service on June 15.

UK NEWS DIGEST

GEC Alsthom wins train order

South West Trains, the train operating company owned by the Stagecoach bus group, yesterday ordered 30 new four-car units from GEC Alsthom at a cost of more than £90m ($145.8m). GEC Alsthom is a 50-50 joint venture between Alcatel of France and General Electric Company of the UK. This is the fourth rolling stock order to be placed since rail privatisation and confirms the growing momentum of new train orders following a gap of nearly three years while British Rail, the former state network, was sold. The new trains will be financed by Porterbrook Leasing, the rolling stock leasing company acquired last July by Stagecoach.

The order is the second to be won by GEC Alsthom. It follows a £100m contract to supply and maintain eight eight-car trains for Gatwick Express won last month. The London, Tilbury & Southend line has placed a £200m order for 44 new trains while Chiltern Railways paid £34m for four three-car trains. Both of these contracts were won by Adtranz, ABB Daimler-Benz, the Swiss-Swedish-German group. *Charles Batchelor*

■ INVESTMENTS

Agricultural land tops league

Farmland was the best performing class of investment for the third year running in 1996, outpacing shares, gilts (government bonds) and commercial property, Savills, the property consultants, reports today. Farmland let to tenants produced a total return of 22.2 per cent, giving an annualised return of 17 per cent a year over the past five years.

"This has made it a superior investment to commercial property, equities and gilts over that period," said Mr Jim Ward, head of agricultural research at Savills.

The driving force behind last year's performance was an increase of 11.4 per cent in farm rents, underpinned by good harvests and high cereal prices, which pushed up the value of arable farms. Mr Justin Marking, head of Savills agricultural agency, said financial institutions had cut their investments in farmland from a peak of 240,000 ha in the mid 1980s to 88,000 ha, but were beginning to show interest again. *Alison Maitland*

■ MACHINE TOOLS

High pound 'likely to hit exports'

The strong pound is likely to reduce exports of UK-made machine tools by nearly 10 per cent this year, according to forecasts last night from the Machine Tool Technologies Association, the industry trade body. The new estimates underline the difficulties caused by the 17 per cent rise in sterling against main currencies over the past nine months.

The association says exports of machine tools this year are likely to total £595m, 8.8 per cent less than the £642m it was forecasting last November. The association has also reduced its forecasts for this year's UK production of machine tools. It now estimates output will be £842m, 4.2 per cent lower than the £878m it was projecting at the end of last year. *Peter Marsh*

Penalties threat to pension groups

By Christopher Brown-Humes in London

Regulators yesterday told the pensions industry to clear up the £4bn ($6.48bn) mis-selling debacle by the end of next year or face heavy fines.

The crackdown will be reinforced today when Mrs Helen Liddell, economic secretary to the Treasury, is expected to tell 20 providers with the worst mis-selling records to speed up compensation payments to as many as 500,000 victims.

The Personal Investment Authority has given 24 groups individual deadlines and said the other 3,600 firms caught up in the scandal must meet two general deadlines. It wants 90 per cent of 175,000 top priority cases to be completed by the end of this year – two years after the original deadline – and the remainder of a total of 570,000 cases completed by the end of next year.

This will require much faster progress than has been the case until now. Latest figures show only 50,300 assessments have been completed, with 12,650 cases sharing £102m of compensation, an average of £8,000.

Ms Colette Bowe, PIA chief executive, said failure to meet the deadlines would lead to discipline. The fines "will be proportionate to the circumstances of the firm", but they would not be trifling amounts.

The scandal mainly involves people who were wrongly advised to leave occupational schemes for personal plans in the late 1980s and early 1990s. Attempts to clear up the mess began three years ago.

Sir Andrew Large, outgoing chairman of The Securities and Investments Board, the chief City watchdog, said: "The excuses have got to stop."

Editorial Comment, Page 13

Visiting MP denies 'security implications' of taking up offices at the House of Commons

Sinn Féin welcomes government moves

By John Kampfner, Chief Political Correspondent

The UK government is "moving in the right direction", Mr Martin McGuinness, Sinn Féin MP and the party's chief negotiator, said yesterday. Sinn Féin is the political wing of the Irish Republican Army.

Republicans also acknowledged that little progress could be made until after the general election in the Republic of Ireland, expected on June 6, he added.

Mr McGuinness was in London visiting Ms Roisin McAliskey, a terrorist suspect in a London prison, who is expecting a child within days. Describing her confinement as "inhuman and degrading", he said the government's approach to prisoners would be an important test. Ms McAliskey's mother, Bernadette, the former nationalist MP, said on BBC radio she believed Britain's Labour government would show more "humanity" to her daughter. She said the defeated Conservative administration displayed "singular and personal animosity towards Irish prisoners in general and, it would appear, towards my daughter in particular".

Mr McGuinness said he would travel to Westminster next week "with my honourable friend", Mr Gerry Adams, Sinn Féin president and MP for West Belfast, to seek meetings with the House of Commons authorities over the granting of offices.

He reiterated that neither he nor Mr Adams would take the oath of allegiance to the Queen, but that both of them were "entitled to be treated as first class MPs". There were, Mr McGuinness said, "no security implications".

Mr Tony Blair is expected soon to make his first visit to Northern Ireland as prime minister and to emphasise there that he regards the peace process in the region as one of his top priorities.

Ministers need to kick-start the multi-party talks on the future of Northern Ireland, due to resume on June 3, after making virtually no progress in their first year.

"If sectarianism continues at its present level, the whole of our society will be plunged into a new nightmare of suffering and uncertainty," Archbishop Robin Eames, head of the Protestant Church of Ireland, said yesterday at its general synod in Dublin. He added: "Are changes in the law desirable [in Northern Ireland] to give greater assistance to this process? Is the current law really geared to outlaw sectarianism?

"Sectarianism in thought and action is encouraged by those who revel in disharmony and division," he went on. "It is the ultimate anti-Christian element in any society.

"Northern Ireland cannot face another summer similar to last year. History will not easily forgive anyone who encourages a repeat."

Ashley Ashwood

Geoffrey Robinson: a former chief executive of Jaguar Cars

Defence initiative confuses weapons makers

British arms makers are confused about the curbs on defence exports proposed by the Labour government, but they are not terrified.

"Nobody is worried that the really big contracts like Al Yamamah [an arms deal with Saudi Arabia worth £2bn ($3.2bn) a year to Britain] are under any threat. The government is sensible enough to know how many jobs depend on AY," said one defence executive yesterday. "The trouble is that we really don't know where on the scale the restrictions will bite."

Defence companies were not consulted by the government before the the changes were announced on Monday. They have since had no formal guidance from the Foreign Office or the defence ministry on what the policy will mean.

But whatever the moral considerations, the government is unlikely to block arms contracts which secure very large numbers of jobs. The stock market seems to agree: there was little reaction in the share prices of big arms exporters after the announcement.

In practice, it is not the profitable high-tech weaponry made by the biggest UK defence companies which is the main problem. Small, cheap weapons – such as land mines or assault rifles – are those which cause the most injuries.

The UK tends to focus on equipment such as fast jets – costing tens of millions and from which companies make real profits – which are rarely of use in internal repression. This was the justification used by Mr Robin Cook, the foreign secretary, to defend sales of Tornado bombers to Saudi Arabia, in spite of criticism of its human rights record. The defence of sales to Saudi Arabia also lowers the barrier to sales elsewhere since, if the policy is to be equitable, the human rights record of a government declined weapons would have to be worse than that of Saudi Arabia.

In practice this is likely to mean that very nasty – but cheap and unprofitable – weapons may be banned in many cases, while big weapons systems will be sold to all but the most unsavoury regimes.

The crunch may come in medium-cost systems, such as tanks or light aircraft.

British Aerospace is producing a second batch of Hawk trainers/light fighters for Indonesia. Human rights activists claim that these have been used to repress the inhabitants of East Timor, a claim which has been consistently denied.

How the government chooses to treat those aircraft will be an early test of its intentions.

Bernard Gray

Richest minister will steer tax on utilities' profits

Robinson will soon hear from US owners of privatised companies

By David Wighton, Political Correspondent

Mr Geoffrey Robinson, the paymaster general, must be the wealthiest Labour minister ever. On his appointment to the government as a junior minister in the Treasury, Mr Robinson had to resign all his directorships. He has had to give up a role at the leftwing New Statesman magazine, which he bailed out last year, and at TransTec, the engineering group he founded.

There have been few enough Labour politicians with any sort of business background. There have been fewer still with knowledge of manufacturing. Even more unusually, Mr Robinson has run both a big company and a small company. The small one was his own which he set up with £5,000 in a garage in 1976. The large one was Jaguar cars before it was acquired by Ford.

Mr Robinson first came to the notice of the City of London in 1991, when he reversed his company into Central & Sherwood, a company then controlled by the publisher Robert Maxwell with his son Kevin on the board.

Robert Maxwell, himself once a Labour MP, sold out just before his death, but the company, renamed TransTec, was treated with some suspicion for while. But Mr Robinson soon shook off what City analysts dubbed the "Max factor" as did his fellow Treasury minister Mrs Helen Liddell, who worked for Maxwell in Scotland.

Given his background, which also includes a spell in an earlier Labour government's Industrial Reorganisation Corporation, Mr Robinson was the natural candidate to provide some real business experience in the Treasury.

His appointment reflects the aim of Mr Gordon Brown, the chancellor of the exchequer, to turn the Treasury from a pure finance ministry into a department focused on the needs of the real economy. "I hope the Treasury will come to be thought of being much more of this world and a much more sensible place," says Mr Robinson, adding quickly that its reputation to the contrary is "unjustified".

In the short-term, Mr Robinson has two specific jobs: steering through the "windfall" tax on the profits of privatised utilities and overhauling the previous government's faltering private finance initiative, intended to attract private finance to public projects.

He wasted no time launching last week's review of the institutional structure of the PFI, which included the controversial sacking of Mr Alistair Ross Goobey as chairman of the private finance panel.

Yesterday, Mr Robinson made his first public move on the windfall tax by formally inviting utility companies to make representations on the operation of the levy.

Some of the companies have questioned whether the government was serious about consultation, given the indications that the Budget could be as soon as June 10. Mr Robinson yesterday set a deadline of the end of May for submissions, which would hardly leave the government time to adjust its proposals. "They will have to make their representations effectively and quickly," says Mr Robinson. "After all, they have had plenty of time to prepare them."

Another source of irritation, particularly among the US groups that acquired UK electricity companies, is that the total amount the tax is expected to raise appears to have increased. One corporate adviser says: "When most of the acquisitions were made the Americans were being warned there would be a tax of about £3bn. Now there is talk of between £5bn and £10bn." When asked whether the US companies would have a legitimate grievance, Mr Robinson declines to take the bait. "Lets wait and see how much it is," he replies.

Blair to auction many radio bands

By Robert Peston, Political Editor

Mr Tony Blair, the prime minister, will today reinforce his claim to be governing without reference to party dogma when he adopts the defeated Conservative party's election manifesto commitment to auction parts of the radio spectrum.

One of 26 bills to be announced in today's Queen's Speech, opening the Labour government's first legislative session, will be a measure to raise an estimated £1bn ($1.62bn) from introducing commercial pricing for the use of radio waves by mobile phone, pager and cab companies.

An official at the prime minister's office said that the government expected to raise £1bn over 10 years from the move. This is based on yields from a similar sell-off in the US, where the government has raised more than $20bn from a similar privatisation initiative.

The idea of charging a competitive price for use of the radio spectrum was first put forward in March by Mr Ian Lang, then chief industry minister in the Conservative government. It was included as a promise in the Conservative manifesto, but there was no explicit mention in Labour's.

Under the proposal, companies seeking to provide radio-based services would bid for frequencies under a leasing arrangement. Broadcasters would not be affected.

Under current licensing arrangements, the price charged for use of a particular part of the spectrum reflects government costs rather than market value.

Officials said yesterday that mobile phone companies' overheads were likely to rise by a weekly amount of 10p per mobile phone. But they did not expect this to be passed on in full to consumers.

"We think competition in the industry will protect consumers," one said.

In urban centres, where there is intense competition for business between cab companies – and use of the spectrum has a higher potential market price – the running costs of an individual taxi-driver could increase by £0.20 a week.

Existing licences awarded to mobile telephone network operators would remain valid, but would be auctioned when they expired.

ARTS

Television/Christopher Dunkley

Guilty of serial crime

The bad news is that British television is creating yet more 60-minute crime serials, the worst culprit being ITV. Neither stern warnings from the Independent Television Commission nor ridicule and contempt from the critics seem to have any effect. This is hardly surprising, perhaps, given that ITV is now run by people whose background is in accountancy rather than programme-making. Since the number of viewers willing to watch yet another crime-busting farrago is large enough to keep the advertisers more-or-less happy, nobody in the upper echelons of ITV is going to allow imagination, originality, or freshness to interfere with business.

So having filled the nine o'clock slot on Sundays with the law enforcers from Customs And Excise in *The Knock*, ITV has decided to fill the nine o'clock slot on Thursdays with *Bodyguards*, which describes itself as "an action-drama series about a team of police bodyguards". Last week's episode offered us a ludicrous yarn about a Chicago-style gang of armed teenagers terrorising a London boy who had witnessed the killing of a clergyman. The hooded youths, advancing like Royal Marine Commandos, used a JCB to smash their way into "What we call a concealed safe house" where the shapely young gun-toting female agent watched over the nervous witness. The picture conveyed, complete with fierce gun battle, was closer to the world of Marvel Comics than to the reality of life in London.

The same ITV slot on Tuesdays is occupied by *Touching Evil*, a series about a newcomer to the murder squad whose university background, belief in psychology, and faith in the psychic power of a violent head-case all set him at loggerheads with his methodical and plodding colleagues – except for the shapely young female agent, of course. Sounds familiar? It is formula writing of a sort that we now know well, which is only to be expected since writer Paul Abbott comes to this series from *Cracker*.

True, on other nights of the week ITV fills this slot with dramas that are not about crime: on Mondays *Bramwell* which projects late-20th century feminist preoccupations onto medical scenes of a previous age; on Wednesdays *Sharpe* in which Sean Bean fights and, er, loves his way through the Napoleonic wars, last week firing gold coins into the ranks of the enemy to distract and reduce the numbers; and on Friday *The Grand* which borrows half its ideas (including a pastiche of the signature tune) from *Upstairs, Downstairs* and the other half from *The Duchess Of Duke Street*. All are proficient, all pass the time, all are about as memorable as the books of Georgette Heyer or Barbara Cartland, and deserve about the same amount of notice from this page.

The good news is that our other terrestrial schedulers, the BBC and Channel 4, are making efforts in this area. *Jonathan Creek*, launched on BBC1 on Saturday with one of those counter-productive "feature length" episodes (which means stretching things out like chewing gum) is admittedly yet another crime series, but its worst enemy would not describe it as being much like the others mentioned here. The tone is closer to that of *Moonlighting* with tongue firmly stuck in cheek, and comedians Caroline Quentin and Alan Davies in the Cybill Shepherd and Bruce Willis roles, here named Madelaine and Jonathan.

He is a wimp (well, obviously, he is a man and on television, so in 1997 what else could he be?) who lives in a windmill, surrounded by posters of his heroes such as Houdini, his job being inventor for a magician. As such he is a whiz with anything involving illusions, particularly the sort where people disappear in one place and reappear magically in another, an expertise which equips him ideally for solving locked room mysteries and the like. She is tough, funny and brave (well, obviously, she is a woman and on television, so . . .) and is a journalist or a novelist or at any rate some sort of writer about crime who, of course, becomes involved in solving real crimes . . . well, completely unrealistic real crimes.

This is not sitcom, but it is written by David Renton who created *One Foot In The Grave*. When the police go to arrest their suspect in a cinema they avoid commotion by holding under his nose a board saying "Stephen Grismal?" When he nods they swap it for a second board announcing "You're nicked". In the interrogation room Grismal stands on his dignity and demands his right to consult an investigative journalist. The drop-dead-gorgeous blonde who models in the nude for the murdered artist says with wide-eyed wonder "D'you know, the *minute* I took off my clothes I could feel he was attracted to me". And when our heroine wants to impersonate a television director she announces herself as "Madelaine Magellan with Mad Cow Productions for Channel 4". It was irritating that the solution to the opening mystery involved the impossible (a woman with her hands tied behind her back managing to fix a revolver to her feet with rubber bands) yet *Jonathan Creek* looks like being great fun.

Channel 4's five-part serial *Melissa* is more difficult to assess. Expanded by Alan Bleasdale from a 1964 thriller by Francis Durbridge about a sequence of murders in South Africa and London, it looked in the early stages on Monday and Tuesday nights like an unhappy combination. Instead of cooking up into a rich, unified confection, the ingredients were remaining stubbornly distinct: occasional bits of Durbridge whodunnit separated by longer and longer elements of Bleasdale dialogue and character building. With tonight's episode it begins to feel like pure Bleasdale. We start to understand the characters and their relationships and the skeletons begin to tumble out of the cupboards of this tightly connected group of effete but increasingly interesting people.

However, since we are told that these three episodes are, in effect, a "prequel" and that the real Durbridge story only emerges in the final two, to be screened next Monday and Tuesday, it is impossible to judge yet whether the entire package will prove a success. At this stage, with the familiar whiff of vintage Bleasdale growing stronger – the pleasingly authentic complexity of the characters, with those inherent inconsistencies and even contradictions which you observe all the time in real people – you wonder why he bothered to take someone else's plot as his matrix. Bleasdale has said he was a great admirer of Durbridge's television work in the 1960s, but is that really reason enough for this somewhat peculiar arrangement? We shall see. But even if the plotting turns out to be unsatisfactory we already know that there are other qualities here which confirm the poverty of so much of that nine o'clock drama elsewhere, as though confirmation were needed.

Musical

Pulp slickness

Those who believe that the modern musical is a serious form of artistic expression may wish to visit *The Fix*, a new musical being presented at the Donmar Warehouse in association with Cameron Mackintosh. Written by two Americans, John Dempsey (book and lyrics) and Dana P. Rowe (music), it had been completed less than three months, had been sent to Sam Mendes, the Donmar's artistic director, and to Mackintosh only one week, when plans were put in motion to stage it. The staging is good and *The Fix* is skilful, efficient, energetic, tough. I only wish I could like it.

To those of us who believe, however, that the musical has long been a synthetic genre, *The Fix* is merely the latest in an overlong line. It is by no means the worst and the Donmar staging does it proud, but this, alas, is no comfort. The life of a musical lies in its music. Dana Rowe's music – frequently crafted with rare skill in matters of rhythm and harmony – is a smart series of forays into various musical idioms (rock, vaudeville, waltz, country-and-western), not one of which is made to feel fresh. Freshness is not the point of the modern musical. Where a serious work of art surprises you with the quality of your own feeling, musicals like *The Fix* aim to make you feel in ways you have felt often before.

The hero of *The Fix* is Cal Chandler, heir to an eminent American political family. His mother Violet and uncle Grahame relentlessly groom him to become governor and, they hope, president. So what if his real father was not Senator Reed Chandler but Bobby "Cracker" Barrel (a redneck)? So what if Violet drinks and Grahame is a crippled, stuttering, closet homo? *The Fix* wants us to believe that the American upper classes are every bit as corrupt as the ruling classes of the Roman empire (Cal even seduces his uncle.) Hidden beneath the gloss of the music is the slick cynical spirit of umpteen TV films and pulp novels.

Glossy cynicism: John Barrowman, Philip Quast and Kathryn Evans in 'The Fix' Alastair Muir

When the strain is too much, Cal takes to cocaine, then to a mistress and then, with her, to heroin. Late on, however, he surprises us all by admitting his drug addiction and (in a trice) declaring political war on the drug mob. At last he is taking charge of his own destiny! But his mistress lures him back for one last rendezvous. It is a trap. The mob gun him, and then her, *down*.

The role of Cal might have been written for John Barrowman, with his Kennedy-esque good looks, his handsome singing and his absence of true individuality. (It even turns the latter into a dramatic virtue of sorts.)

Philip Quast handles every aspect of poor Uncle Grahame with distinction and Kathryn Evans does splendidly by his ruthless sister-in-law Violet. One enjoys these performances as much as the slick cynicism of the material will allow. As Cal's mistress, Krysten Cummings occasionally manages something more: to burst through the glossy package with an intensity that actually seems spontaneous.

The most brilliant feature of the Donmar staging is Howard Harrison's lighting. It fans, zooms, crossfires. It turns the sparse stage into blazing publicity, into memory lane, into drugged nirvana. It almost transcends the pulp slickness it so perfectly expresses.

Alastair Macaulay

Theatre

Hamlet truncated

The Royal Shakespeare Theatre in Stratford-upon-Avon is one of the theatres in Britain I most detest. The acoustics are notorious, the relationship of stage to the draughty auditorium is uncomfortable and the whirr of the air-conditioning is of unparalleled volume. Productions that succeed best are those of epic scale, and those that physically connect the auditorium and stage. Matthew Warchus's new production is not one of these.

This is a lightweight, modern-dress, naturalistic, middle-class *Hamlet* that might work better in a theatre quarter the size, and with a different protagonist. It begins and ends with a film of the boy Hamlet playing with his father: here, family concerns are all. The main action starts with a party, during which Hamlet takes Polaroid photos of people around him, into which the ghost of Hamlet's father, unseen by everybody else, arrives. Later, Hamlet drinks cocktails with Rosencrantz and Guildenstern. Many details are individually staged with convincing realism (I wish, however, Hamlet did not toy with a pistol throughout "To be or not to be"; this does not help us pay attention to the world's most famous soliloquy.)

The trouble, however, is that this *Hamlet* is of no consequence whatsoever. The realm of Denmark is not at stake, and Hamlet's thoughts do not enthrall. There is much to admire about Alex Jennings in the central role. His verse-speaking is exemplary and he handles all the naturalism of this production perfectly. But he is not an arresting soliloquiser. He cannot encompass us in the workings of his nervous system or in the tensions of his philosophical inquiries.

And so we observe this upper-middle-class Englishman from a distance. He has humour but not wit, dejection but not pain, education but not intelligence. It seems odd that Ophelia should call him "The courtier's, soldier's, scholar's, eye, tongue, sword", and neither the production nor he even pretend that he is royal.

The production is full of good incidental points and shrewd decisions, none of which add up to an organic whole. The best characterisations are by David Ryall as a wry Polonius, Edward Petherbridge as a hushed ghost, and Richard Cant as a very amiable Rosencrantz. Paul Jesson is a funny Gravedigger who takes the modernity of the production to its furthest extreme (singing Weill's "September Song"). Derbhle Crotty handles Ophelia's madness with considerable tact, but gives a chaotic account of the earlier scenes. Diana Quick is a fakey, mannered Gertrude, and Paul Freeman a thespian Claudius whose rolled Rs clash with the style of the production.

It is not unusual to have *Hamlet* severely cut. This is, admittedly, the most amputated mainstream production that I have seen, with no Marcellus or Bernardo, no battlements, no Fortinbras, no politics – *Hamlet* with both its beginning and its end lopped off – and what is stranger is that several scenes have been reordered, to no advantage. I can welcome the fluency with which much of the action proceeds, but eventually the production is either too naturalistic or not naturalistic enough. We sense neither the passage of time, nor the pressures of state: in the absence of which such details as dipping lollipops into cocktails seems wholly extraneous. This is a little *Hamlet* for little minds, capsized amid a giant-size theatre and giant-size airconditioning.

A.M.

Royal Shakespeare Theatre, Stratford-upon-Avon. Sponsored by Citroën.

Dance

Schizoid energy

They are in their early-20s, and they dance full-out. They are members of Nederlands Dance Theater's second – "apprentice" – troupe, recruited from what seems half the nations of the world, and raring to go at the start of month-long British tour. I saw them last week at the Peacock Theatre, and heard the audience yipping with delight. Whatever the piece on display, and NDT2 has a schizoid repertory, the reaction is the same, which is cheery for the dancers if a little exhausting for those of us not wholly enraptured by the choreography. Since most of this programme comprised works which I hope never to have to see again, the racket seemed, shall we say, a leetle excessive.

But these young(-ish) dancers – they are all at an age when many a ballet career has been made or lost – tear into what they have to do with tremendous vigour. None of the works on Thursday called for finesse or subtlety. That is not the NDT criterion. Suffering comes first, then rather sodden *Mittel-Europa* emotings, then a kind of factitious joy at the Beauty of the World. It is all a bit Mahlerian, and sure enough, the programme began with Jiri Kylian's view of the *Songs of a Wayfarer*. Turgid stuff, and fearsomely dated.

Hans van Manen has provided two pieces for the company, of which the first is a romp for three men who skitter and zip over the stage to part of a Bach violin suite. The chaps are nippy, good-humoured, and the dance is blessedly short. The other van Manen offering is back in his well-worn territory of the battle between the sexes. A couple, Shirley Esseboom and Vaclav Kumes, exchange mixed feelings to an Arvo Part score. Given the ingredients, there were few rewards in this *rechauffé*, which looks more like therapy than art.

At the centre of the evening was Johan Inger's *Sammanfall*, which amounted to nearly half an hour in the company of seven lunatics. Or rather, three women and four men behaving as the mad are usually portrayed in the dance theatre. Anguished contortions, of course, and barmy stumblings over the stage, with the occasional moment of stillness and crazed staring. Nothing else happens – except an urgent desire on my part to have done with something as spurious and cliché-ridden as this.

The evening ends with what passes for humour in these circles. *Skew-shiff* is by Paul Lightfoot, and finds three men and a woman romping to the *Thieving Magpie* overture. Ideal for those whose taste in humour runs to Little and Large.

Clement Crisp

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Amsterdams Historisch Museum Tel: 31-20-5231822
● Het Amsterdam van Herman Gordijn: display featuring 11 paintings, one triptych and a number of etchings and drawings by the Dutch artist, commissioned by the Museum to produce work depicting Amsterdam. Also exhibited are earlier pieces by Gordijn, including a portrait of Queen Beatrix; opens May 15

■ ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Athens State Orchestra: with conductor Byron Fidetzis, soprano Martha Arapi and tenor Zachos Terzakis in works by Beethoven; May 16

■ BERLIN

DANCE
Komische Oper Tel: 49-30-202600
● Takt: choreographed by Jan Linkens; May 17

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Rafael Frühbeck de Burgos. Soloists include Woflgang Brendel, Reinhard Hagen, David Griffith and Barry McDaniel; May 18

■ BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200
● Orchestre Symphonique de la Monnaie: with conductor Antonio Pappano and soprano Katarina Dalayman in works by Beethoven; May 18

■ DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Midori: performance by the violinist accompanied by pianist Robert McDonald. The programme includes works by Schubert, Enescu, Kreisler and Franck; May 18

■ LEWES

OPERA
Glyndebourne Opera Festival Tel: 44-1273-812321
● Manon Lescaut: by Puccini. Conducted by John Eliot Gardiner. Soloists include Adina Nitescu and Patrick Denniston. The opening performance of the 1997 Glyndebourne Opera Festival; May 18

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Nicola and Alexandra Bibby: the pianists perform works by Stravinsky, Jackson, Saint-Saëns, Milhaud, Copland, Debussy and Rachmaninov; May 18
Royal Festival Hall Tel: 44-171-9604242
● Royal Philharmonic Orchestra: with conductor David Coleman and violinst Erich Gruenberg in works by Rossini, Bruch and Beethoven; May 18
Wigmore Hall Tel: 44-171-9352141
● Peter Frankl: performance by the pianist, accompnied by violinist Görgy Pauk and cellist Ralph Kirshbaum. The programme includes works by Brahms, Carter and Beethoven; May 17

EXHIBITION
British Museum Tel: 44-171-6361555
● Styles of Japanese Porcelain and Pottery: exhibition tracing styles of Japanese ceramics from pre-history until the present day. The display covers the early influences of Chinese and Korean pottery, the first Japanese porcelain from the 17th century and decorative pottery from the 1800s; opens May 15

■ MANCHESTER

CONCERT
The Bridgewater Hall Tel: 44-161-9500000
● James Galway: performance by the flautist, accompanied by pianist Phillip Moll. The programme includes works by Martinu, Widor, Doppler, Fauré and Briccialdi; May 18

■ MUNICH

OPERA
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Carmen: by Bizet. Conducted by Jacques Delacôte and performed by the Bayerische Staatsoper. Soloists include Maurizio Muraro, Caroline Maria Petrig and Anne Salvan; from May 17 to Jun 2

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-8755050
● Bang on a Can All-Stars: perform works by Dolden, Wolfe and Padding. Part of the Bang on a Can Marathon. The programme also features performances by the String Trio of New York, the Cassatt Quartet, the Scott Johnson Ensemble and Pulse Percussion; May 18

EXHIBITION
Cooper-Hewitt National Design Museum Tel: 1-212-860-6868
● Disegno: Italian Renaissance Designs for the Decorative Arts: exhibition examining the Renaissance concept of disegno; a term linking the process of design and the actual physical act of drawing. On view are sketches, detail studies, alternative designs, presentation drawings and finished objects by Romano, Bandinelli, de Modena and Gentile; to May 18

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Students of the Conservatoire de Paris: with conductor Stéphane Denève perform works by Schubert and Brahms; May 18
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 00
● Orchestre National de France: with conductor Christof Perick, violinist Joshua Bell and cellist Stephen Isserlis in works by Brahms; May 15

EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Paris-Bruxelles/Bruxelles-Paris: exhibition focusing on the artistic relation and exchange between Belgium and France from 1848 to 1914. Attention is paid to both visual and decorative arts, architecture, literature and music, ranging in styles from Realism and Impressionism to Symbolism and Art Nouveau; to Jul 14

■ ROME

DANCE
Teatro dell' Opera di Roma Tel: 39-6-481601
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Ian Davidson

The waiting game

The UK's wait-and-see policy on the single currency is flawed since it already has all the information it needs

The change of government in Britain has come as an enormous relief to Britain's partners in the European Union. After 18 years of foot-dragging by the increasingly Eurosceptic Conservatives, the new Labour government is trying hard to show it is keen to mend fences.

In visits to Paris and Bonn last week, Mr Robin Cook, foreign secretary, pledged to end the "sterile, negative and fruitless conflict" with the EU. This week Mr Gordon Brown, chancellor of the exchequer, told European finance ministers that the UK would work "constructively" on the single currency.

This is an enormous rhetorical improvement on the reflexive Euro-phobia of the previous Conservative government. It is not yet clear, however, whether the policy behind Labour's rhetoric really goes far enough to get Britain moving in line with its European partners.

The first and very immediate test of Labour's European policy will be the negotiations on reforms to the EU, which are supposed to be wrapped up in less than five weeks' time.

In the election campaign, the Labour party was so anxious to avoid any danger of being accused of being "soft" on Europe that it mimicked many of the Tories' Eurosceptic policies. As a result, its starting position in the negotiations will continue to be out of step on many issues with the rest of Europe.

This may not be fatal to an agreement, however, since the other member states will no doubt go to considerable lengths to do a deal if at all possible. Even if the negotiations end with Britain partly opposed to mainstream Europe, it should, with luck, be constructively opposed, rather than irreconcilably in conflict.

A more fundamental question is how long it will take Labour to "think European". On his recent trip to Paris, Mr Cook said the UK would join France and Germany in a "triangular" leading role in the EU. This may seem an innocent – even a potentially constructive – ambition. In the context of the EU, however, it is anachronistic, tactless and stupid.

The other 12 member states have got used, over the past 47 years, to the fact of the Franco-German partnership. But they do not always like it. They would certainly resent any move by Britain to set up a Franco-German-British *directoire*. In any case, that partnership is not about to be reconstructed to accommodate Britain's belated interest in Europe.

The critical issue will be the single currency. Labour's policy is ostensibly one of "wait-and-see". The problem is that while the single currency project may well be the object of reasonable doubts and uncertainties, these cannot be resolved by any process of reason or research, at least not within the five-year life of the new parliament, and quite probably not within the life of the parliament after that.

Wait-and-see implies that new facts will come along which will make it possible to reach a conclusion one way or another. But everything important about the single currency is already known; there will be no significant new facts, certainly no conclusive facts, for a long time to come.

Reasonable sceptics may simply be unsure whether monetary union will work and want new information which could settle their doubts. But there is nothing which will happen in the next five years, before the completion of the single currency in 2002, that will enlighten them.

And if sceptics need a *decisive* answer to the question: will it work? they will have to wait until well into the next century. The opening years of the single currency are likely to witness stress, turbulence and anxiety as the new system beds down, so sceptics may have to wait perhaps even until as late as 2010.

One factor could, in theory, transform the equation, and that is the French general election. The French Socialist party has said it will only support the single currency on four conditions. It must include Italy; it must promote growth; it must include the establishment of an economic government for Europe to counterbalance the future European central bank; and it must not be too strong vis-a-vis the dollar.

Of course, the Socialists may not win the election. Last week, it looked as though they might; this week it looks less likely. Public opinion is obviously very volatile, except in the record-breaking unpopularity of the president and the government.

In principle, the terms of the single currency are set in a treaty, so the Socialists could not easily impose their conditions unilaterally. Nevertheless, a Socialist victory in France could create a new situation, in which the British Labour government might hope to re-open the debate on monetary union.

Either way, we shall know the answer to the French election on June 1. At that point, the British government will have only two rational options. It can stick with the policy of wait-and-see for the next 10 years or more. Or else, if it wants the possibility of joining the single currency within any politically useful time-frame, it can switch to a policy of commitment to Emu as a political objective.

This week in Brussels, Mr Brown avoided any such commitment, and claimed that Britain's option to join the single currency would not require it to rejoin the exchange rate mechanism. Legally, he may be right.

But the real test is political commitment to the objective of monetary union, including monetary and exchange-rate stability. How long did it take France to secure credibility in the markets? Exactly 10 years – from 1983 to 1993.

Mending fences: Cook has visited Paris and Bonn

LETTERS TO THE EDITOR

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Hong Kong's governor prized Lee's advice on consistency

From Mr Kerry McGlynn.

Sir, In his FT interview of May 12, Mr Lee Kuan Yew reportedly says that the constitutional reforms introduced in Hong Kong by the governor, Mr Chris Patten, are at odds with the Sino-British joint declaration and the Basic Law, Hong Kong's future mini-constitution.

That was not, of course, the view of all the legal experts who testified to the Commons foreign affairs select committee in 1994. Nor, interestingly, was it Mr Lee's view when the constitutional proposals were first announced.

In an interview with Hong Kong's Sunday Morning Post on October 11 1992, headlined "I don't need to make Mr Patten's job any harder. It's hard enough as it is . . .", Mr Lee commented that the governor had been "very imaginative about increasing the depth of democracy" in his proposals.

He added: "Very ingenious. His proposals slip into the blank spaces of the Basic Law and the joint declaration".

Two months later, in December 1992, Mr Lee had changed tack. This time he was denouncing the same proposals as an Anglo-American plot, supported by others in the international community, to infiltrate democracy into China.

An ambitious game-plan indeed for what was in fact a modest attempt to produce open and fair electoral arrangements for the 60-strong legislative council of Hong Kong.

Mr Lee has now changed his position again, reproducing the Chinese government's line that the constitutional proposals, far from filling the spaces in the Basic Law and the Joint Declaration, breached both documents. We move with the times.

Mr Lee gave one piece of advice to Mr Patten when they met in July 1992. This was that the governor should set out a bold agenda for the following five years, and then keep to it, despite the undoubted pressures from all sides to ride him off it. The governor welcomed the senior minister's advocacy of the principle of consistency. He has been pleased to follow his advice.

Kerry McGlynn,
Government House,
Hong Kong

Mobutu aid highlights unjust debt

From Ms Ann Pettifor.

Sir, Your report on the IMF and western government lending to president Mobutu of Zaire is timely ("How Mobutu built up his $4bn fortune", May 12).

It highlights the secretive and often illegitimate nature of much lending by international financial institutions, including the IMF and the World Bank.

You suggest that the people of Zaire "are seeking to recover what is owed to them". They are unlikely to succeed. Instead they will face a rising and perhaps unsustainable debt burden. The IMF, on behalf of western creditors, will demand repayment of the loans plus interest long after Mobutu has gone.

The Philippines is repaying loans made to Ferdinand Marcos. Ugandans are repaying loans made to Idi Amin and South Africans those made to an illegitimate, racist government.

The IMF, on behalf of the OECD creditors, can make such bad loans knowing that repayment is guaranteed. It is time for these western creditors to be exposed to the transparency, regulations and market forces that they wish on others through their loan conditions. Jubilee 2000 calls on society to recognise the co-responsibility of creditors for the unpayable and often odious debts of developing countries.

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Rout of Scottish Tories does not point to overwhelming desire for devolution

From Mr Richard Mowbray.

Sir, Why does everyone assume that the rout of the Scottish Tories on May 1 indicates an overwhelming desire for devolution? As in England and Wales, the Conservatives lost because hubris, born of 18 years in office, itself begat ideological sloppiness, incompetence, and, in a few, sleaze. Above all, the Tories lost because it was "time for a change".

First, in opinion poll after opinion poll, devolution has always ranked bottom in the list of voters' concerns, way behind unemployment, the NHS, and education.

Second, a poll just before the election indicated support for the constitutional status quo had risen to 31 per cent (from as low as 15 per cent in the recent past), yet this did little to increase Conservative support.

Third, Tony Blair has doubts about devolution. Why else did he insist on two referendums – one on the Scottish parliament itself, one on tax-raising powers – if not to take the issue out of the election campaign? If his statements during it are any indication, he would prefer that the whole issue went away.

We Scottish Conservatives must campaign for two "no" votes. Once Gordon Brown has raised the tax burden in his Budget by reducing allowances, we should have little difficulty defeating tax-raising powers. And without them, what is the point of having a parliament at all?

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Why pension funds do not attract income and capital tax

From Ms Ann Robinson.

Sir, There is not a "flimsy case" for the present tax credit on advance corporation tax as Lex asserts ("UK taxation", May 12), but a very powerful one. The case relates to the relationship between corporation tax and income tax. *All* taxpayers have to pay their full liability for the income tax element of corporation tax.

When a dividend is paid net of 20 per cent of the tax, a higher-rate taxpayer still owes the government 20 per cent.

Pension funds are exempt from all income and capital taxes for a very good reason. Tax will eventually be paid by individuals on the income when it arises. Were the tax to be removed, millions of individuals would, in effect, suffer double taxation. It would fall not only on their personal investments, such as Peps, but also on their future pension provision, both final salary and money purchase schemes.

The change would not only harm individuals, it would do no good to companies. They would have to either increase pension contributions or top up their pension funds. A change to the tax credit would have the opposite effect to that desired by reducing the amount of cash available for capital investment.

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Personal View · Toyoo Gyohten

Strong yen for the euro

If Japan succeeds in its reforms, its currency will play a more important role globally

Until recently, European monetary union seems not to have awakened much interest in Japan. The main reason for this is that the Japanese have underestimated the strong political will of European Union leaders to introduce the single currency, as scheduled, on January 1 1999.

However, business, academic and government figures have gradually come to recognise the strength of EU members' commitment to reducing their government spending – in spite of the impact on their economies and the consequences for their political popularity – to start the third stage of monetary union.

Japan must also carry through its fiscal reforms with the same commitment EU leaders have shown.

A survey of Japanese businesses operating in EU countries carried out by the Institute for International Monetary Affairs (IIMA) at the end of last year found mixed reactions to the single currency.

On the positive side, they believed the euro would eliminate foreign exchange risk, increase price transparency and promote the efficient distribution of resources. They expected to benefit from economies of scale and new opportunities emerging from integration. They predicted the EU economy would increase its international competitiveness.

On the other hand, there is concern among some Japanese businesses about the stability of the EU economy after monetary union.

Some countries will be more vulnerable than others under the single monetary and exchange rate policies set by the European central bank.

National central banks under the European System for Central Banks will no longer be able to adjust their monetary and foreign exchange rate policies to suit their economic circumstances.

There will be no central fiscal authority with a substantial role in taxing or spending – so no member country can receive a fiscal transfer in a recession to stimulate a slack economy. Member countries are also required to cut government deficits under the growth and stability pact.

Some Japanese business executives argue there is a danger that economic or political instability will emerge, and that the single currency may not work well in practice.

Theoretically, the movement of labour and wage flexibility across borders will eventually solve economic disequilibrium between members of the monetary union. However, there is as yet little movement of labour, as people are discouraged to shift between countries by language and cultural barriers.

Although there is no doubt the euro can be introduced given the strong political will among EU leaders, it is not clear that monetary union can be maintained with stability.

> Over the past few years, Tokyo has seen a lessening of its position as a leading international money, capital and foreign exchange market

However, in the long run, this problem is likely to be solved – just as EU countries have overcome many obstacles in their long progression toward integration and expansion since the second world war.

If the single currency is able to achieve the necessary economic and political stability, it will play an increasingly important role as a key international currency. Some even argue the euro may threaten the status of the US dollar in the future.

However, the dollar has long fulfilled the conditions required of a leading international currency. For example, prices in the US have been very stable – as have effective exchange rates of the dollar.

The US has the largest economy and international trade and the most developed financial markets in the world. It is thus very unlikely that the euro will replace the role of the US dollar in a short time.

It is more likely to be the Japanese yen that could be affected if the euro – backed by expanded and more efficient financial markets – establishes its status as a leading international currency. Given such powerful competition, the yen's failure to "internationalise" itself could mean a diminished role.

Over the past few years, Tokyo has already seen a lessening of its position as one of the leading international money, capital and foreign exchange markets.

In November 1996, the Japanese government announced an extensive plan – the so-called "Big Bang" – to reform its financial services industry. Reform will centre on three elements: market competition; increased transparency; and bringing market practices and regulation into line with international norms. The future of the yen and of Japanese financial markets depend, to a large extent, on how this plan is implemented.

There have been various criticisms and concerns over the reform plans, many of which, say some cynical foreign observers, have all been heard before. It is also argued the target date of 2001 is too late given the rapid developments taking place in other big markets.

This time, however, reform will eventually be carried out – including deregulation of the financial sector. The Japanese public now understands that, without reforms to revitalise the economy, their living standards will deteriorate. For the first time, a sense of urgency has gripped the nation.

Politicians have also come to realise that the tide is running in favour of reform. Most politicians are now aware that, in order to survive, they must support a broad agenda of reform.

The ball has already started rolling. Bills to abolish foreign exchange controls and reform the Ministry of Finance and Bank of Japan have been submitted to parliament which is certain to approve them in a matter of months.

More reform bills – including laws on tax, banking and securities transactions, and holding companies – will be submitted to a special session of the Diet in the autumn. Once implemented, the reforms will cause cracks and distortions in the old system, making further reforms inevitable.

The challenge in the early part of the 21st century should be to establish a Japanese economy which is internationally compatible and competitive. If Japan succeeds in its reforms, the yen could play a more important role – as one of the three leading international currencies alongside the dollar and the euro.

The author is president of the Institute for International Monetary Affairs

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Wednesday May 14 1997

East Asian miracle

And they said it couldn't be done. For months now officials in Japan and the US had been trying to coax investors back to the yen. Until last week they were politely ignored, and for good reason. But then suddenly, the mood changed. Within a few days, the yen reversed nearly one-fifth of its two-year decline against the dollar. And bemused observers of the "fundamentals" are wondering why.

The short answer to that question would be: because Mr Eisuke Sakakibara, international finance supremo at the Japanese finance ministry, wanted the yen to rise. But that can hardly be the whole story. For a start, it is difficult to see many domestic reasons to favour a stronger yen. The impact at home of the yen's decline has been almost universally positive. A more accurate reading would be that he wanted to be *seen* by Washington to want to limit the rise in the Japanese trade surplus. Calling loudly for a higher yen at home, on this view, reduces the risk of even more raucous complaints from Mr Robert Rubin, the US treasury secretary, and the trade hawks on Capitol Hill.

But wanting a strong yen does not make it so. There is still the question why investors finally decided to jump at "Mr Yen's" behest. There has been rising optimism in Japanese financial markets about the strength of the recovery. Stock market values and bond yields have both risen sharply over the past month: stocks because of rising profit forecasts, bond yields because of fears that short-term interest rates may rise sooner than expected.

A rather different kind of optimism has been overtaking US markets, where most seem to think it less likely that interest rates will be increased at next week's meeting of the Federal Reserve policy-making committee. The net effect: a narrowing in the gap between US and Japanese bond yields by about three-quarters of a percentage point, to a "mere" 4 percentage points. All of which seems to have made investors happier to take a punt on a stronger yen.

And yet, even Mr Sakakibara would have to admit that most of the developments cited in support of the yen remain in the realm of prediction. Sooner or later, Japanese interest rates will rise from their historic lows; sooner, if the economy proves to have shrugged off the recent tax rises. Likewise, the Federal Reserve might find it can hold off increasing interest rates. But neither is exactly a sure thing. Mr Yen and his colleagues have pulled off an impressive piece of financial market levitation. Now they must wait to see if events in the real world catch up with them.

UK inflation

The most interesting aspect of yesterday's Bank of England inflation report is the chapter which it does *not* contain: namely its thoughts on whether taxes should be raised in the forthcoming Budget.

On May 6, when the Bank was given operational independence, the relationship between fiscal policy and interest rate decisions acquired a new and untested dimension. From now on, the Bank's monetary policy committee will have authority to change interest rates in order to meet an inflation target set by the government.

But there is more than one way to curb inflation. Although yesterday's report does not say so directly, it can be read as a reminder that fiscal policy can have an important role alongside monetary measures.

The Bank's analysis shows the difficulties now confronting the UK's unbalanced economy. On the one hand, sterling's 16.5 per cent rise since August may be expected to curb the growth of exports and manufacturing output, although the effect has been surprisingly small so far. On the other, the domestic economy is growing much faster than is consistent with the long run rise in productivity.

Consumer spending, growth in the service sector, house prices and a 9 per cent rise in sales of durable goods last year all point in the same direction. With unemployment falling fast and wage rises accelerating, there is a danger of overheating and rising inflation next year.

Something will probably need to be done to choke off excessive demand. But what? The Bank's oracular phrase – "some further moderate tightening of policy in the months ahead" – is most obviously a warning that interest rates will rise, beyond the ¼ point increase on May 6 to 6¼ per cent. But it might be an oblique reference to the chancellor's forthcoming Budget.

The UK's inflationary dangers arise mainly from the spending of consumers, spurred on by a 3.8 per cent rise in real disposable incomes last year and further encouraged by the imminent financial sector windfalls. A sharp increase in personal taxes might curb this excessive growth of the domestic economy and so reduce the need for tighter money. But the Bank has power only to raise interest rates, which might push sterling higher without curbing the domestic spending spree.

Under the new arrangements, the Bank's strategy will be, for the UK, unprecedentedly open. It is a pity therefore that it has not felt able to publish its views of the effects of a fiscal tightening. Having so recently escaped the Treasury's bear hug, the old lady was no doubt anxious to avoid treading on her old friend's claws. But she has wagged her finger, and now she has real power to make the chancellor take notice.

Stump up

The dilatory manner in which many of Britain's leading banks and insurance companies have set about compensating the victims of pensions mis-selling has been a dismal reflection on the integrity of an industry whose future depends on public trust. So much the better, then, that the new economic secretary to the Treasury, Ms Helen Liddell, has seized the initiative by summoning the worst offenders to a meeting today.

Of those who were sweet-talked into buying potentially inappropriate pensions in the late 1980s and early 1990s, some 470,000 are deemed to be priority cases. Yet fewer than 7,000 have been compensated since a review of mis-selling was launched in 1994, while 18,000 have already died without being reimbursed. If ever there was a case for lighting a fire under an industry and its regulators, this is surely it.

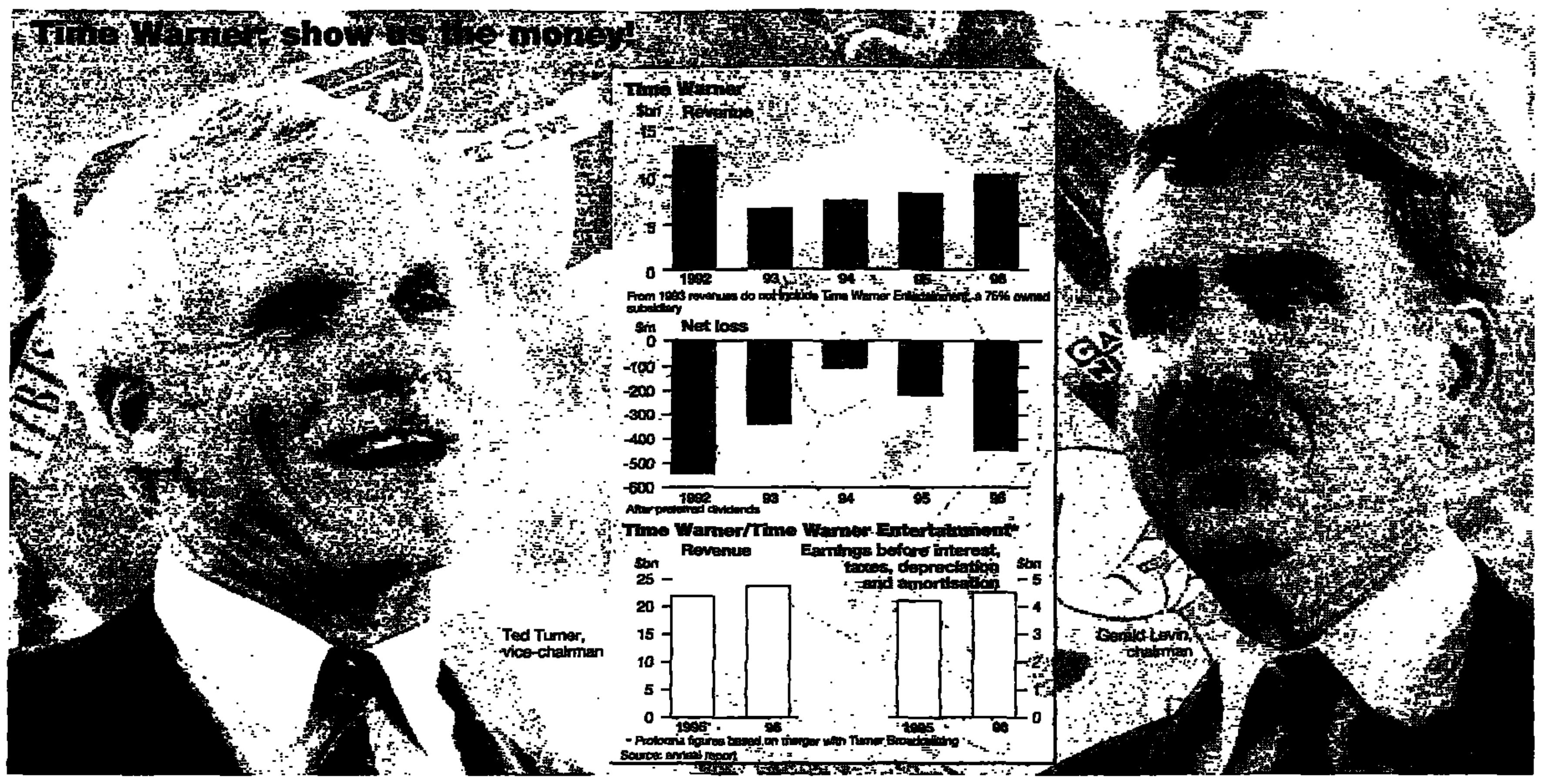
The Securities and Investments Board (SIB) and the Personal Investment Authority (PIA), the main watchdogs involved, have at last acquired some sense of urgency. Yesterday the SIB published a number of measures designed to accelerate the review process. Among the more important are specific targets set by the front-line regulator, the PIA, for individual companies. The SIB has also given further impetus to a proposed guarantee scheme, whereby insurers promise to pay benefits at the level pensioners could have expected to receive if they were ultimately reinstated in their former pension fund.

Equally important is to engage the attention of those in the boardroom, who bear as much responsibility as those beneath who have been dragging their heels over the review.

Ms Liddell has the advantage of being able to offer the industry a fresh start. She can also wield a big stick. While the government's direct powers under the Financial Services Act are largely delegated, a minister can always threaten fiscal penalties. The windfall tax could, for example, be extended to the proprietary life companies.

Mutual insurers are harder to penalise without hitting innocent policyholders. But if Mr Frank Field's appointment as minister of state for social security means anything, the future privatisation of pensions is a big business opportunity for the private sector. In any system that relies on authorised fund managers, the Treasury blackball is a potent weapon.

By putting its weight behind the watchdogs' latest initiative, the government could make a decisive contribution to breaking the logjam. This would be an excellent way of demonstrating Labour's new-found commitment to the consumer.



Time for some results

Time Warner's fortunes may be looking up at last but they are counterbalanced by the group's large debt, says **Richard Waters**

When asked to describe the mood of his shareholders, Mr Richard Parsons, president of Time Warner, thinks of Jerry Maguire. The film character, played by Tom Cruise, had a simple response to the empty promises and prevarications he encountered in business: "Show me the money!"

That, suggests Mr Parsons, could be the rallying cry for Time Warner's shareholders. After all the promises that have been made this decade, the owners of the huge entertainment and media group are getting tired of waiting for their company to live up to the grand visions on which it was founded.

When Mr Gerald Levin, chairman, stands up to address Time Warner's annual meeting in New York tomorrow, he will claim that things are at last coming good. A strong performance from most of the group's businesses and a rally of its shares by a quarter this year seem to point to better times.

Furthermore, last year's $6bn purchase of Turner Broadcasting, owner of cable television networks such as CNN, may be beginning to yield results. Hitherto, the benefits of cross-fertilisation have conspicuously failed to materialise

Most shareholders are tired of waiting. The company, created eight years ago from the merger of Time and Warner, has never made a profit. Its mountain of debt – $18bn at last count – has never qualified as investment grade, leaving the group with a hefty interest bill. To cap it all, it still trades below the $50 (£30.80) a share that Paramount offered for Time in 1989, before the company fell to a bid from Steve Ross's Warner.

In this era of shareholder value, such anomalies were supposed to have been swept away by investor activism. Yet Mr Levin, who took over on Ross's death in 1992, has hung on with remarkable resilience. There are two broad reasons to support Mr Levin's belief that Time Warner's prospects are improving, though not necessarily in its present form. First and foremost is the powerful performance of many of its businesses, which have done particularly well this year.

The company's lack of profits is largely a result of its high interest bill, which ran to $1.4bn last year. It must also contend with annual charge to profits on amortising the goodwill from its acquisitions – $1.1bn last year. Strip away such costs and one reveals a set of entertainment businesses that are, by and large, firing on all cylinders.

These range from Warner Bros, the most consistently profitable and stable film studio in Hollywood, to a publishing business that produces, by Mr Parsons' reckoning, 30 per cent of the US magazine industry's revenues and 40 per cent of its profits. Only the Warner music group – with around a 20 per cent market share – has been struggling.

Time Warner suffers the curse of many conglomerates: it would probably be worth more in pieces than as a whole. The company's executives betray the frustrations that come from fighting this heavy financial drag. Of the Time publishing unit, Mr Parsons says with a distinct note of sourness: "No one is ever interested in it. Wall Street never wants to know what the publishing numbers are."

Other big US companies have spun off or sold under-appreciated assets. But for now, at least, Time Warner has set its face against such a move. The aim, instead, says Mr Parsons, is "to articulate our message and to have a performance that ultimately is not ignorable".

Synergy, however, is a concept that has largely gone out of fashion in US business circles. Mr Ross's vision in the late-1980s was to marry content – whether in film, music or printed form – with distribution. Different entertainment forms would support each other, and all would be helped by control of the country's second-biggest cable television operation.

Mr Parsons now suggests that vision was over-optimistic. Owning all the hardware that it takes to run a cable system – the wires and set-top boxes – appears to have produced few synergies with the business of owning and producing the films and sitcoms that are pumped down the cable.

This realisation led to the purchase of Turner. The owner of a handful of well-known cable television networks, or stations, Turner offered a more obvious outlet for the content coming out of Warner Bros' film and television studios.

It has taken Mr Ted Turner, now Time Warner's biggest shareholder and a vice-chairman, to make this work in practice. Overriding the concerns of some Warner executives, he has pushed for Time Warner's own networks to be given priority rights to Warner Bros' films. This gives them preference over rival networks, such as NBC and ABC, which still account for the bulk of the US television audience.

Whatever tensions this has created internally, the move has certainly won fans on Wall Street. "For the first time since Steve Ross died, they've got someone with the weight to make these companies work together," says Ms Jessica Reif, an entertainment industry analyst at Merrill Lynch.

Comparing Mr Turner's efforts with those of another, more successful, company that has pursued a similar policy of vertical integration, Ms Reif adds: "It's inconceivable that Disney would sell its movies to [the rival networks] NBC or ABC."

The second reason to feel more optimistic about Time Warner's prospects stems from the business that has been its biggest headache: cable. Much of the group's debt results from amassing cable systems, most of which are owned by a separate company, Time Warner Entertainment. This is itself 25 per cent owned by US West, a telephone company. Furthermore, revamping these systems with optical fibres and cable-modems has cost Time Warner more than $1bn annually since 1994, a burden likely to continue for the rest of the decade.

Wall Street has been concerned that this hefty financial commitment might not bear fruit. In the early 1990s, Washington extended its regulation of cable rates just when it was opening the market to competitors from telephone companies and satellite broadcasters. Both seemed destined to squeeze the industry's profits.

But these fears are beginning to look overblown. The government has changed tack, and cable rates will be deregulated by 1999. Also, competition has been less ferocious than feared. The telephone companies have largely turned away, more intent on fighting against a competitive assault on their own business. And while satellite broadcasters have scored some early victories, the biggest threat – a joint venture involving Mr Rupert Murdoch's News Corp and Echostar, the US satellite company – has collapsed.

Other threats will follow, such as an expected attempt by the computer industry to dominate the world of digital broadcasting. But for now, Time Warner's cashflow from cable systems seems more resilient than it has been for some time.

These are good reasons to believe that Time Warner's fortunes are looking up. But they remain counterbalanced by the the group's debt. As Mr Parsons acknowledges: "Any balance sheet can only take so much weight."

Wall Street has been waiting for more than two years for Time Warner's chairman to pull off a restructuring that would cut this debt. Investors' preoccupation has put all Mr Levin's other efforts into the shade. In the meantime, Time Warner has bought more cable systems as well as Turner Broadcasting, adding to the overall debt load and leaving largely unchanged important measures of financial health, such as the ratio of cashflow to interest and dividends on preferred stock. Until the group makes some headway on debt, its share price is unlikely to make much further progress.

The delay is partly the result of the failure to conclude a deal with US West, the minority partner in TWE. For some time, US West has been negotiating an end to the relationship that would leave it with a chunk of the unit's cable systems and some of its debt. But its executives say they are under less pressure to complete a deal than Mr Levin. Time Warner is unwilling to sell out too cheaply.

If Mr Levin could seal a deal with US West, says Ms Reif at Merrill Lynch, the ground would be prepared for a second – possibly much bigger – step. Time Warner might, she says, follow up with the sale of a majority stake in its remaining cable systems, or spin them off altogether.

If it managed to push its mountain of liabilities to one side, Time Warner would have the breathing space to demonstrate the healthiness of its other businesses. That would reduce pressure to start shedding any of its crown jewels, says Mr Neil Begley, an analyst at Moody's, the credit rating agency. If the group can sustain the trend of cashflow it now has, it should be able to pull through without being forced to make further provisions, he says.

This positive outcome is based on a lot of 'ifs' – a word of which Time Warner's shareholders are understandably wary. Many need convincing that the long awaited restructuring is actually about to happen.

"When it occurs, it occurs," says one of Time Warner's biggest institutional investors. "Until then, it's all talk."

OBSERVER

Matching bargains

■ Another of soccer's proud traditions is being swept away by the march of big money into the game. The changing room, where players have talked for decades about sex, booze and holidays, is apparently becoming a forum for financial discussion.

As the Dutch national team moves from country to country, players take time out at airports to call their brokers on their mobile phones. In club bars they get a kick out of watching teletext for the latest price moves. While soccer magazines still seek footballers' views on life, love and the offside rule, weightier publications are sitting at the feet of midfielder Ronald de Boer, the side's acknowledged equity expert.

"The Dutch economy is doing well," De Boer told the magazine Nieuwe Revu, "and a halfway clever person knows that interest rates are low. So you know that people won't put their money in the bank, they'll buy shares instead." Turning tipster, he advised his already wealthy father-in-law to buy KLM. He invested in Philips by mistake, only to see the electronics shares soar.

Other players are more bearish about the Amsterdam market, including Ronald's twin brother Frank, the Dutch captain. On the field, he takes up deep positions in defence. As an investor, he is abandoning his positions, selling shares in anticipation of a market slide. Ronald himself has decided that call options are too risky. It's all about knowing when to strike.

Hidden agenda

■ The Asian Development Bank is giving a curiously low profile to the role played by Jeffrey Sachs of the Harvard Institute for International Development in co-ordinating its new tome on Emerging Asia. Insiders at its annual meeting in Fukuoka, Japan – which Sachs did not attend – confessed with hindsight that they picked the wrong man for the job.

Chunks of Sachs's initial draft were sent back for revision, because the ADB felt it leaned too far towards a minimal role for governments in development. Thinking in the bank is moving in the opposite direction – that more rather than less government involvement is needed, not to pick industrial champions but to set the regulatory framework to secure the provision of health, education and a clean environment which make development sustainable. The bank wants a debate on defining that role.

The disagreement meant Emerging Asia's economic conclusions were bland, but also signals that the ADB is preparing to enter the policy fray in a more distinctive way. This autumn it will set up an institute in Tokyo to promote an Asian view of development. What Eisuke Sakakibara, Japan's top international financial official, calls the "Washington consensus" is likely to come under more challenge.

Mario stanza

■ So what persuaded Italian Commissioner Mario Monti to retreat over the new UK government's plan to cut value added tax on fuel? Europe's single market guardian at first threatened to block the move because it flouted EU rules. But when push came to shove at this week's meeting of EU finance ministers, he gave the green light without any fuss.

The answer seems to be that the British connection in Brussels is alive and kicking – and doing what its EU partners already do so well. Step forward James Currie, former chief of staff to Sir Leon Brittan, Britain's senior Brussels commissioner, who's now the Commission's director-general of customs and indirect taxation.

Currie, a bit of a Scots bruiser, drafted the conciliatory statement in Monti's name, dreaming up the deliciously diplomatic lines: "Although the commission's legal analysis can only be completed once the full details are known, I do not see any particular legal obstacle at this stage." That left UK finance minister Gordon Brown free to extract maximum political gain from his victory.

Baltic statues

■ Estonians harbour high hopes of early entry into the European Union, and believe the odds against them would be shorter if outsiders would stop lumping them together with the other two Baltic states. In his campaign to set western Europeans straight, the country's foreign minister Toomas Ilves is telling an apocryphal tale about how the massive statues of Lenin were removed in the three countries' capitals after the Soviet Union collapsed.

In Lithuania, an emotional flag-waving crowd gathered in the central square singing the national anthem and tore down the monument. The Latvians set up a committee to work out the best way to remove the statue and what crane to use. The Estonians got out their mobile phones, called up the Finns and sub-contracted the job.

The Financial Times

100 years ago

Crops Ruined In France
Auxene, Yonne, 13th May.
Last night there were nine degrees of frost in this district, the thermometer falling to 23deg Fahrenheit. The night before last it fell to 28.6deg. The frost this morning is general. The vine, fruit and vegetable crops are ruined, and the damage in this department alone is estimated at 20,000,000 francs. The inhabitants are in despair.

50 years ago

Scotch And Dollars
A demand expressed lately in certain sections of the trade that the export price of Scotch whisky be substantially increased to provide more dollars and to compensate the domestic consumer for the reduced allocation effective from the beginning of the month would, if accepted, prove "disastrous" to the industry. That is the view of one of the most prominent figures in the whisky trade. He pointed out that consumer resistance, particularly to luxuries, was hardening rapidly in the United States, and that at the moment "it would be the height of folly" to countenance a rise in price.

FINANCIAL TIMES
Wednesday May 14 1997

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Vietnam cannot afford more debt, say bankers

World Bank opposes Hanoi funding plans

By Jeremy Grant in Hanoi

Vietnam's plans to start borrowing in the international capital market this year have aroused opposition from the World Bank, which says the debt-burdened country cannot afford to rack up further arrears.

The move has also alarmed western economists who fear the government may use the money to help finance the country's fragile budget rather than for projects which could generate a commercial return.

Hanoi shelved plans last year for a eurobond issue of between $100m and $150m as it was still negotiating the settlement of money owed to the London Club of commercial creditors, put at about $750m.

Hanoi hopes to issue a Brady bond – restructured debt using US treasury bonds as collateral – by the end of this month to resolve that problem.

Mr Nguyen Sinh Hung, the Vietnamese finance minister, said the government was moving ahead with a sovereign issue. "We are working on it now," he said.

He said the money raised would go to state-owned companies to fund expansion.

Merrill Lynch and Nomura last year were mandated to arrange the five-year facility. Mr Florian Schmidt, associate director of the debt capital markets group at Nomura, said Hanoi aimed to issue the bond "pretty soon after the Brady is issued".

However, Mr Bradley Babson, the World Bank's representative in Vietnam, said the bank had not relaxed its opposition to the plan after first advising against it last year.

"Given the creditworthiness, Vietnam would not be encouraged to engage in sovereign borrowing at this stage for financing the budget," he said. Vietnam is the second largest recipient of World Bank funding after India.

Any bond issue would use a large portion of the country's yearly sovereign borrowing limit of $400m, set by the International Monetary Fund.

Hanoi ran up a trade deficit of $4bn last year, about 18 per cent of gross domestic product.

"We continue to be concerned about the overall management of debt policy," said Mr Babson. Foreign bankers say politically-inspired lending plagues the banking sector, where credit assessment is slack and corruption rife.

However, one western economist said there were signs that the money might be added to a finance ministry "war chest" aimed at helping Hanoi raise its share of cash for multilaterally-funded projects.

"What's happening is that because they don't have the budget, they're trying to get it through other means. That is being viewed as unhealthy," said one western economist.

Bankers were surprised when Moody's, the rating agency, last month awarded Vietnam a Ba3 rating, which they saw as generous despite being below investment grade.

Russia moves to reassert state control of Gazprom

By John Thornhill in Moscow

Mr Boris Nemtsov, Russia's reforming first deputy prime minister, was yesterday named head of a 10-person government board to "introduce order" at Gazprom, the giant gas monopoly.

Mr Nemtsov, who joined the government in March, called the move "a breakthrough, even a sensation.

"The sensation is that the biggest joint stock company in Russia, one of the biggest companies in the world – in which the state has an interest of 40 per cent – has finally been put under state control," Mr Nemtsov said.

Paradoxically, Mr Nemtsov wants to reassert state control over the partially privatised Gazprom to force it to become more open and market-oriented. He said the government board would press Gazprom to cut its gas prices, pay its taxes and pension contributions on time, and increase its dividends on the state's 40 per cent shareholding.

He said the state had earned just Rbs20bn ($3.5m) in dividends from Russia's richest company over the past two years. "I explain this by the fact that the state had totally lost control of the company," Mr Nemtsov said.

A presidential decree, published yesterday, established a parallel board of 10 state representatives to oversee the activities of Gazprom and manage the state's shareholding more effectively.

Headed by Mr Nemtsov, the board will include representatives from the anti-monopoly committee, the ministries of energy and finance, as well as the tax inspectorate.

Mr Nemtsov said the board would also press for more open access to the gas pipeline and increased foreign investment in the industry.

Gazprom officials said it was too early to assess the decree's significance, suggesting it could be interpreted and implemented in different ways.

Gazprom has enjoyed strong political patronage thanks to Mr Victor Chernomyrdin, its former chairman, who became prime minister in 1992.

But the government's latest move appears the most determined assault on Gazprom's power – although the reformers appear to have backed away from earlier plans to break it up.

Another presidential decree yesterday promised to remove all federal budget funds from privileged "insider" banks from the start of 1998 and transfer monies via the central bank's branch network.

Mr Christopher Granville, head of research at United City Bank in Moscow, said the government was now fully committed to the sweeping reform agenda outlined by Mr Yeltsin earlier this year.

Bid to end company statute deadlock

By Emma Tucker in Brussels

Industrial experts have mounted a fresh attempt to break the 25-year deadlock on proposals for a single European company statute.

The group, led by Viscount Etienne Davignon, chairman of Société Générale de Belgique, believes it may have found a solution to Germany's objections to the plans. If implemented, these would allow companies with operations in more than one member state to be governed by one law, applicable in all EU countries.

The proposals, first drafted in the 1970s, are seen by the industry as an important component of the single market which could save them billions of ecus. But the plans have been blocked largely over the issue of worker involvement and differences between the UK and Germany over how far companies should be obliged to consult workers.

Other problems include company taxation and issues such as bankruptcy.

The new UK government is likely to lift Britain's objections to an obligation that multinational groups set up bodies for informing and consulting workers. But Germany fears companies would use the European company statute to circumvent its own traditional system of worker involvement.

The report published yesterday suggests that the terms of worker involvement should be decided by each European company. If an agreement between management and employees on the nature of that involvement could not be reached after three months, a set of reference rules would apply.

The group hopes this solution would meet the concerns of countries with advanced participation systems, such as Germany, by extending the obligation to negotiate on worker involvement to all EU member states.

Officials have hinted that Germany may be ready to take a positive approach to break the deadlock.

The report will be presented to internal market ministers in Brussels next week.

Waiting game, Page 12

THE LEX COLUMN

Tackling Telekom

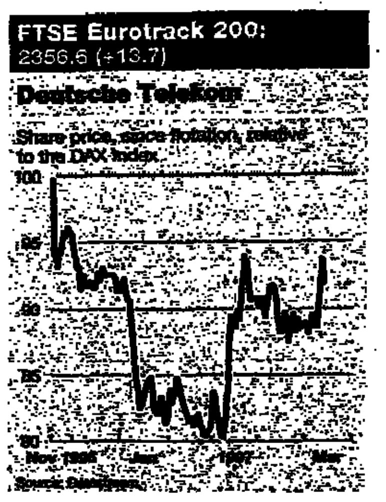
After a slow start in the wake of November's flotation, Deutsche Telekom's shares have jumped nearly 30 per cent this year, handsomely outperforming a rising German stock market. There are two principal reasons.

First, fears that the group would rapidly lose domestic market share look overblown. Though full deregulation starts next year, Germany has yet to decide on the level of interconnection charges between DT and its competitors. Every month of delay gives DT longer to get its cost base down, while stymieing its rivals. In France, by contrast, the regulatory framework has been set well ahead of France Telecom's privatisation.

Second is that DT did not make widely expected investments in South Africa and Kazakhstan. Investors have taken this as a welcome sign of focus from a company with a huge pile of debt and an international strategy that has often amounted to little more than waving around its cheque book.

But yesterday's results also showed that DT is proving vulnerable to competition where it already exists. Revenue from international calls fell nearly a fifth as the likes of AT&T and Mannesmann picked off lucrative business customers. With its shares at just over DM40, DT is trading on a multiple of 5.4 times enterprise value to earnings before interest, tax, depreciation and amortisation, a 30 per cent premium to its European peers. That looks high enough for now.

FTSE Eurotrack 200: 2356.6 (+13.7)



Emu

The desire of European Union leaders to prevent speculators wrecking the single currency project is understandable. High unemployment and fragile political support for monetary union across much of Europe provides a fertile backdrop for trouble. And the memories of currency turmoil in 1992/3 are still seared in the memories of bankers and politicians alike. Still, some of the latest wheezes under discussion look more likely to provoke precisely the sort of chaos their architects are trying to avoid.

The lesson of recent years is that speculators flourish when offered a fixed target which cannot be credibly defended. This suggests that the best defences against speculators are either to deprive them of targets completely or to present ones whose credibility makes them secure from attack. This would mean either keeping markets guessing about conversion rates for currencies entering Emu in January 1999 or announcing them ahead of the time. In the latter case, of course, the rates would need to be plausible and would have to be backed by a strong commitment to defending them.

What cannot work is a halfway house, where the market is led to believe that such targets do exist, without their being disclosed. In this case, traders will simply hammer away until the central bank is forced to reveal its hand. And, as the recent experiences with the Irish punt and sterling show, if there is a whiff of competitive devaluation in the air speculators smell blood.

UK inflation

The Bank of England has acquired new freedoms but will they make any difference? On the early evidence, not as much as might have been thought. Doubtless the the Bank is still coming to terms with her liberated status. But yesterday's inflation report was very much a case of business as usual. True, the tone was more hawkish than in the past. But political considerations still weigh large. The Bank's core message is that further steps must be taken to curb demand if inflation is not to pick up in the medium term. But the clear sub-text is that the Bank would prefer the chancellor to do the nasty business rather than leave it to raise interest rates.

This makes good sense, given the well publicised imbalances in the economy which would be exaggerated by higher rates. It is good news for gilts, and hence should also offer support for equities, although there are lingering fears about how Mr Gordon Brown, chancellor of the exchequer, will treat the corporate sector in his budget. A further rise in interest rates still remains likely, but if Mr Brown delivers a sufficiently tight mini-Budget, market fears of a further 0.75 percentage point rise in interest rates this year may prove excessively pessimistic.

Gilts

The government's early move to grant independence to the Bank of England has left markets in a muddle. The past week has produced the curious combination of a powerful rally in gilts and a sharp fall in sterling. The spread of 10-year gilt yields over German bunds fell from around 185 to 137 basis points, while the pound slipped 10 pfennigs before recouping some of its losses. The curiosity is that, in the near term at least, the opposite might have been more logical: expectations of higher short-term rates fuelling sterling strength and undermining gilts.

Correctly, however, the market is taking the long view – that the UK now has an improved chance of achieving sustained low inflation. Long-term inflation expectations have fallen by around half a percentage point since last week's announcement. These, plus a lower risk premium for inflation, allow for lower bond yields. Moreover, with the new government moving closer to the rest of Europe, it is reasonable to expect UK bond yields to start converging on their continental counterparts. There is little reason why gilts should be yielding 30-50 basis points more than equivalent bonds in countries like Spain and Ireland.

The spread over bunds will narrow further as the market digests the fact that, just as the Bank of England is getting a free hand, the Bundesbank is handing over the baton to an untested successor. This must put upward pressure on German rates. Meanwhile, sterling's recent gyrations have had precious little to do with central bank independence. But a weaker sterling is consistent with a rallying gilts market: as sterling falls, the risk foreign investors face of future currency losses reduces, allowing them to accept a lower yield.

Additional Lex comment on Allied Domecq, Page 20

'War plan' to stifle currency speculation

Continued from Page 1

Netherlands on July 1 before handing over to the UK on January 1 1998. The UK will chair the special May summit to choose Emu qualifiers.

The Luxembourg plan borrows from ideas in a paper by the London-based Centre for Economic Policy Research. The plan does not cover the conversion rate between national currencies and the euro, which are to be fixed on Emu's launch in 1999 according to the Maastricht treaty.

Instead – in an effort to cement the transition to the euro – EU leaders could informally agree or publicly state their target for conversion rates between future euro members, exploiting the 15 per cent fluctuation bands in the ERM to secure a "managed float".

Provided the rates were credible, the need for substantial central bank intervention would arise only at the end of the transition period to Emu in late 1998, bankers believe.

"The markets must not be surprised by the choice of participating countries and those outside. Otherwise, there could be a disaster," said a senior monetary official.

Mr Juncker acknowledged that one of the chief obstacles to the plan was that it in effect prejudged the formal political decision on Emu in May 1998. Short-circuiting the political process could prove highly controversial in Italy and Germany.

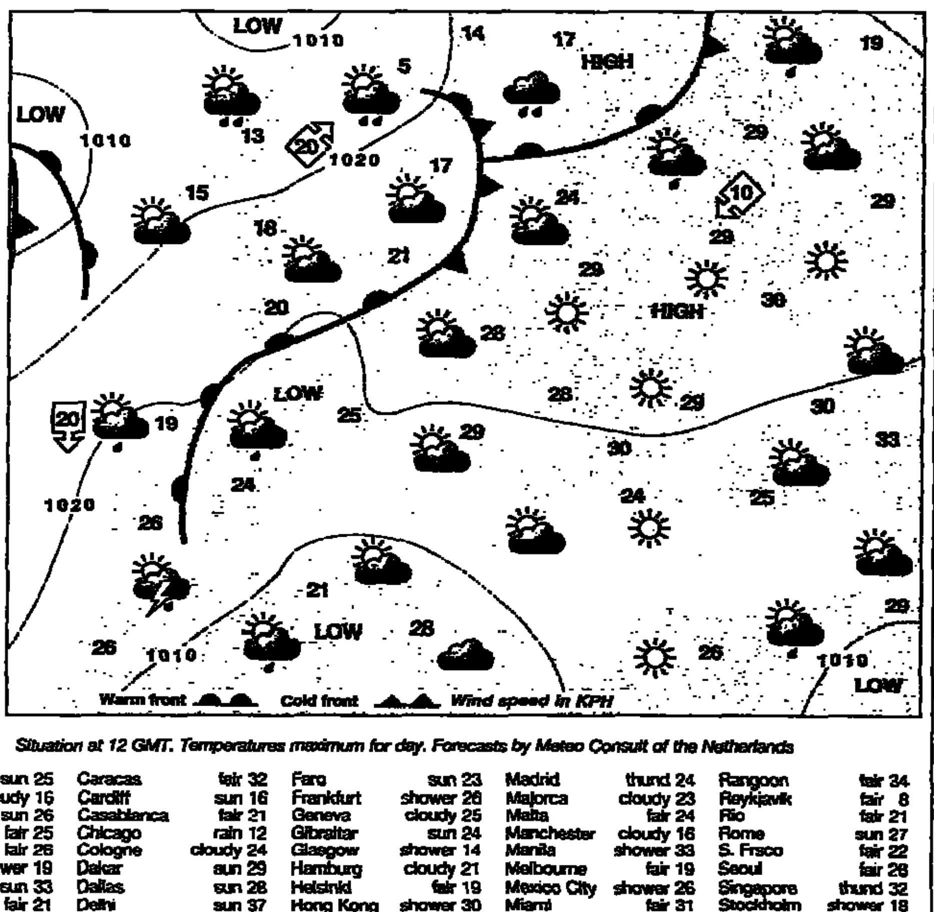
FT WEATHER GUIDE

Europe today

Warm air over central and eastern Europe will spread to western areas as a frontal zone extending from Spain across Germany to northern Russia slowly shifts north-west. Cloud and rain will dominate near the frontal zone. Thunder storms are also likely. Widespread sunny periods and a few cumulus clouds will occur over the Mediterranean, the Balkans and eastern Europe. Maximum temperatures will easily reach 30C in parts of Turkey, Romania and the Ukraine. Temperatures in western Europe will barely exceed 20C despite sunny spells. Southern Scandinavia will have frequent showers.

Five-day forecast

Warmer air will move further west. Cloud and showers will remain over Spain and Ireland. Sunny spells will dominate the continent as high pressure becomes established from southern Scandinavia to the Balkans.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 25	Caracas	fair 32	Faro	sun 23	Madrid	thund 24	Rangoon	fair 34
	Celsius	Belfast	cloudy 16	Cardiff	sun 16	Frankfurt	shower 26	Majorca	cloudy 23	Reykjavik	fair 8
Abu Dhabi	sun 37	Belgrade	sun 26	Casablanca	fair 21	Geneva	cloudy 25	Malta	fair 24	Rio	fair 21
Accra	shower 32	Berlin	fair 25	Chicago	rain 12	Gibraltar	sun 24	Manchester	cloudy 16	Rome	sun 27
Algiers	fair 21	Bermuda	fair 26	Cologne	cloudy 24	Glasgow	shower 14	Manila	shower 33	S. Frsco	fair 22
Amsterdam	sun 19	Bogota	shower 19	Dakar	sun 29	Hamburg	cloudy 21	Melbourne	fair 19	Seoul	fair 28
Athens	sun 28	Bombay	sun 33	Dallas	sun 28	Helsinki	fair 19	Mexico City	shower 26	Singapore	thund 32
Atlanta	shower 27	Brussels	fair 21	Delhi	sun 37	Hong Kong	shower 30	Miami	fair 31	Stockholm	shower 18
B. Aires	fair 28	Budapest	fair 29	Dubai	sun 37	Honolulu	fair 29	Milan	sun 27	Strasbourg	thund 26
B.ham	fair 17	C.hagen	shower 17	Dublin	cloudy 16	Istanbul	sun 24	Montreal	cloudy 15	Sydney	sun 20
Bangkok	thund 37	Cairo	fair 31	Dubrovnik	sun 27	Jakarta	shower 31	Moscow	cloudy 24	Tangier	fair 22
Barcelona	cloudy 22	Cape Town	fair 21	Edinburgh	shower 15	Jersey	sun 14	Munich	sun 27	Tel Aviv	fair 29
						Karachi	sun 36	Nairobi	thund 26	Tokyo	rain 22
						Kuwait	sun 40	Naples	fair 29	Toronto	cloudy 14
						L. Angeles	fair 24	Nassau	shower 30	Vancouver	rain 24
						Las Palmas	fair 23	New York	cloudy 22	Venice	sun 25
						Lima	shower 26	Nice	sun 24	Vienna	sun 29
						Lisbon	sun 21	Nicosia	fair 35	Warsaw	fair 28
						London	sun 20	Oslo	shower 15	Washington	fair 27
						Lux.bourg	thund 22	Paris	fair 23	Wellington	shower 16
						Lyon	cloudy 28	Perth	fair 23	Winnipeg	fair 11
						Madeira	sun 19	Prague	fair 27	Zurich	fair 24

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

GM moves closer to Russian deal

General Motors, the world's biggest car company, will today announce in Moscow that it has made "very significant progress" in plans to build cars with one of Russia's leading carmakers. Page 16

Panamco buys coca-cola bottler
Latin America's "cola wars" have re-opened, with two of Coca-Cola's main bottlers coming together in a $1.1bn acquisition in which Coca-Cola itself had a key role. Page 16

Giants stay out of Retevisión battle
AT&T and Deutsche Telekom have stayed out of the battle to acquire Retevisión, the second telecom operator in the Spanish market. Page 18

Alcatel launches new drive for Thomson
Alcatel Alsthom went on the offensive in the fight for Thomson-CSF, the French state-controlled electronics giant. The telecoms and engineering group warned a bid from Lagardère, the French missiles-to-magazines conglomerate, would lead to Thomson's break up. Page 19

ICI to pay unusually high loan premium
Imperial Chemical Industries will service the $8.5bn loan it arranged for its buying of Unilever's chemicals arm, Europe's largest syndicated loan, at a rate of 0.55 percentage points over the London interbank offered rate. Page 22

Allied Domecq may fight GrandMet link
Allied Domecq, the UK drinks group, joined Seagram of Canada in warning that the £23.8bn ($38.6bn) merger of Grand Metropolitan and Guinness to form GMG Brands would not go unchallenged. Page 20

Eramet dodges French government
Eramet, the metals group, appeared to have won a tactical victory over the French government in the mining rights row. Erap, the state holding company that owns 55 per cent of the group intended to take control of the board at its AGM but Erament has postponed the meeting until after the French general elections. Page 24

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Deutsche Bk	97.30	+	2.20
GEHE	117.80	+	2.80
Veba	97.40	+	1.20
Falls			
Degussa	77.50	–	1.20
Deutsche Tele	40.13	–	1.06
Heritz	186	–	2.50

NEW YORK ($)

Rises			
Deere & Co	51⅜	+	2⅜
Dollar Gen	31¼	+	1¼
Inland Steel	27⅞	+	1¼
Kubota Corp	101	+	7
Falls			
Mirova	21¼	–	1⅛
Jlia Chemical	17⅛	–	1⅛

LONDON (Pence)

Rises			
Abbey Natl	957½	+	38½
Division Grp	54½	+	7
Telemetrix	60½	+	6½
Falls			
Aston Villa	937½	–	37½
Meristem	57½	–	10½
Roxtel	67	–	12

TORONTO (C$)

Rises			
Getchell Gold	60.50	+	4.50
Tayrock Yell	6.80	+	0.85
Tie Second Cp	10.00	+	0.75
Falls			
Comtecta Res	6.60	–	3.55
Newfound Cl A	8.00	–	0.50
Teklogix	12.25	–	1.25

PARIS (FFr)

Rises			
Alcatel	688	+	23
Dassault Sys	358	+	18
Saint Gobain	830	+	36
Seita	214.80	+	6.50
Falls			
Intertall	223.50	–	3.50
Pechiney	96	–	1.60

TOKYO (Yen)

Rises			
Asahi Brwy	1510	+	80
Daishowa Paper	521	+	58
Jap Metals	289	+	22
Takashimaya	1580	+	110
Falls			
Citizen Watch	900	–	44
Toner	1390	–	80

HONG KONG (HK$)

Rises			
Chen Hsong	4.50	+	0.10
Hopewell	4.25	+	0.22
Vartronix	11.10	+	0.10
Falls			
Cosco Pacific	10.20	–	0.20
Hysan Dev	22.80	–	0.30
Swire Pac A	60.75	–	1.25

BANGKOK (Baht)

Rises			
Thai Comcl.	30.00	+	2.00
Thai Rubber	37.00	+	2.50
United Comm	150.00	+	13.00
Falls			
American Stand	310.00	–	50.00
Far East	86.50	–	9.50
Regional Cont	182.00	–	20.00

New York & Toronto prices at 12.30.

Rivals' price cuts hit Telekom

Strong results spoiled by fall in revenues from international calls

By Ralph Atkins in Bonn

A slide of almost 20 per cent in Deutsche Telekom's revenues last year from outgoing international telephone calls took the gloss off its strong 1996 results and an upbeat statement on the first three months of 1997.

It blamed "double digit" price reductions and increased competition for the drop in international call revenues, which highlighted the group's increasing exposure to attack from rivals worldwide.

The group, which was partially privatised last November, also acknowledged the impact of "call-back" services, which bill international calls in countries with low tariffs. Mr Ron Sommer, chairman, said Deutsche Telekom would respond "with new ideas".

Speaking at the company's annual results press conference in Bonn, Mr Sommer appeared to pour cold water on rumours of a fresh link-up with Cable & Wireless of the UK, saying "there are hundreds of options" for possible international investment.

However, in a swipe at would-be rivals awaiting the liberalisation of the country's public service telephone market in January, he said: "For the foreseeable future, the capabilities of telecommunications services made in Germany will be represented on the world market by only one company from Germany."

He said Deutsche Telekom had the option of floating a second tranche of shares to finance significant deals at home or overseas. However, the company suggested that might not be needed.

For the first quarter of 1997, pre-tax income was DM2.2bn. ($1.27bn) . Pre-tax profits in 1996 on continuing operations rose from DM3.8bn to DM6.6bn and revenues from DM59.6bn to DM63.1bn. Net income was DM1.8bn last year using German accounting principles, or DM2.6bn using US standards.

Deutsche Telekom's shares have risen more than a third from the DM28.50 offer price last November, but yesterday's results failed to generate additional excitement, with the shares closing down DM1.33 at DM39.80.

The German newspaper *Handelsblatt*, meanwhile, reports this morning that Mr Theo Waigel, the German finance minister, is planning changes in the rules which would enable the government to sell part of its DM2bn holding in Deutsche Telekom, to help solve budgetary difficulties over the Maastricht criteria for European monetary union, Alan Cane writes.

At present, the government cannot sell off any of its stake before 2000.

Lex, Page 14; Telekom stays out of Spain, Page 18

Novartis pays $910m for Merck insecticides

By Daniel Green

Novartis, the Swiss drugs company, is buying the crop protection business owned by US drugs company Merck for $910m. This will be its biggest deal since the company's formation last year from the merger of Ciba and Sandoz.

The acquisition gives Novartis a significant US presence in insecticides, fungicides and herbicides. The existing business is strong only in Europe, Asia and Latin America.

Novartis said that Merck's crop protection activity was very profitable. "Sales have grown over the past four years at a compounded annual growth rate of 12 per cent and gross profit and operating income have grown at a compounded annual growth rate of 12 per cent and 13 per cent respectively," said Novartis.

Sales last year were $200m.

The acquisition would be earnings-enhancing immediately, said Dr Daniel Vasella, chief executive of Novartis.

"We are paying nine times the company's pre-tax, pre-interest payments profits for 1996," he said.

The company's market share in the US in insecticides would be close to 20 per cent after the acquisition, said Mr Raymund Breu, finance director of Novartis.

Agrimek and Vertimec, insecticides which also have a specialised use in mite and tick control, are the most important of the brands being acquired.

The sale had been conducted by auction. Merck said Novartis had made what it considered was the best offer in spite of a number of other "financially aggressive" bidders.

Merck had signalled its intention to sell the business as part of a reorganisation of what had been its Agvet division. The rest of the division, which includes animal health and poultry genetics, is being put into a joint venture called Merial with French chemicals company Rhône-Poulenc.

Dr Vasella said there were further possible acquisitions in all Novartis's core areas of pharmaceuticals, agriculture and nutrition and this deal did not hamper its flexibility.

Separately, Novartis said it would cut 500 jobs in Switzerland over the next three to four years to concentrate pharmaceutical production in fewer factories in Europe

All of the job cuts had been included in the estimated 3,000 jobs Novartis said would be lost as a result of the merger between Ciba and Sandoz.

News Corp pitches for Dodgers: Rupert Murdoch has made a record bid of more than $350m for the Los Angeles Dodgers baseball team. The move will bring his company in line with media groups such as Walt Disney and Time Warner which already own sports franchises. Report, Page 16 Picture: Allsport

Sterling 'junk' bond debut

By Samer Iskandar in London

The first high-yield sterling bond will be launched today by Castle Transmission, the consortium that bought the BBC's domestic transmission network in February.

High-yield bonds – dubbed junk bonds by US investors because of the high default risk – are risky obligations with credit ratings below rating agencies' "investment grade" threshold.

In exchange for the higher credit risk, the bonds reward investors with substantial interest margins over benchmark government bonds.

The £100m ($162m) bond is likely to have a 10-year maturity and will form part of a £250m financing package for the acquisition.

Two high-yield bonds have already been issued in D-Marks and a third is expected to be launched next week by Impress, Europe's second largest non-beverage metal packaging group.

Previously only Switzerland had an active market in low-quality debt, which was deserted by investors following several defaults in the early 1990s. The revival of the European market *is attributed to* last month's debut issue by Geberit, the Swiss sanitary group recently acquired by Doughty Hanson, the UK venture capital company.

Credit Suisse First Boston will act as lead manager of today's deal, with J.P. Morgan also playing a role.

Castle Transmission is a consortium comprising Castle Tower of the US and Télédiffusion de France, as well as investment groups Berkshire Partners and Candover.

Profits fall as Nintendo builds game system to rival Sony

By Michiyo Nakamoto in Tokyo and Alice Rawsthorn in London

Nintendo, the Japanese games group which is vying with Sony for market dominance, suffered a fall in pre-tax profits last year when it was building a hardware base for its new Nintendo 64 games system.

The Nintendo 64, which is faster and more powerful than rival systems, including Sony's market-leading PlayStation, has generated strong sales since its debut in Japan and North America last summer and in Europe this spring.

The Nintendo 64's success, coupled with the positive impact of the weaker yen on exports, triggered an 18 per cent increase in consolidated sales to Y418.2bn during the year, when net profits rose 9.4 per cent to Y65.5bn ($558m).

However, pre-tax profits fell 8 per cent to Y109.4bn, largely because of the switch from the group's old Super Nintendo machine to the new system. In the first phase of a system's life, companies tend to concentrate on selling hardware, which is generally not profitable, thereby building a consumer base to which they can then sell profitable software.

As a result, Nintendo's margins have been squeezed since the new system's launch. Mr Joseph Osha, analyst at Merrill Lynch in Tokyo, estimates that operating margins fell by 5 per cent last year. He forecasts a significant improvement in profitability this year to 21.3 per cent, from 15.6 per cent, as software sales take off.

Sony's 32-bit PlayStation console had a two-year head-start in the Japanese market, and Sony has slashed the PlayStation's price and poached several freelance software developers previously *linked to Nintendo*. But in spite of this the Nintendo 64 has sold 3.42m units in North America, 2.04m in Japan and 660,000 elsewhere, mostly in Europe. It has also sold 4.5m of its Super Mario 64 adventure games and 1.5m of the Mario Cart 64 racing game. In addition, Nintendo had brisk sales of its Game Boy Pocket, a portable machine.

The group expects to sell 12m Nintendo 64s this year with pre-tax profits of Y127bn and net profits of Y67bn.

Barry Riley

Relationship problems for inflation-indexed bonds

A year ago in this column I discussed the prospects for the new inflation-indexed US Treasury bonds, then entering the pre-launch consultation stage. These Treasury inflation-protected securities, dubbed TIPS, were eventually issued last January as 10-year notes, with a second fungible tranche floated last month.

I expected a real yield of a little below 3.5 per cent to start with, backing up as the market developed later on. That proved a fairly accurate prediction, although the recent rise to 3.65 per cent at one stage, as the April issue met rather soggy demand, was a little disappointing.

The bigger question, however, was how these inflation-proofed bonds would relate to US equities, then yielding 1.9 per cent (and now under 1.7 per cent).

Plainly, one cannot expect the mighty US stock market, capitalised at more than $8,000bn (£4,938bn), to run scared of TIPS worth $15bn. But inflation-proofed bonds *ought* to fit within a coherent valuation framework taking in fixed interest bonds and equities. The relationships would reflect reasonable expectations for inflation and real dividend growth, balanced by plausible risk premiums.

Yet there is a serious problem of reconciliation here with valuation relationships in the UK, where index-linked gilts have been established since 1982.

True, real yields are almost identical in the US and UK, at a little more than 3.5 per cent, and conventional long government bond yields happen to be very close right now at 6.9 per cent and 7.1 per cent respectively. Inflation expectations appear to be similar.

But the relationship with equities is different. US equities yield 2 percentage points less than TIPS. This can be rationalised by projecting real dividend growth of, say, 2.5 per cent, in line with long-run economic growth, for a total expected real return on equities of a little more than 4 per cent. This would allow for a small risk premium over TIPS, of about 0.5 per cent.

> UK dividends face a cut in advance corporation tax and *discrimination* against payouts by the retention junkies at the British Treasury

In the UK, however, equities have normally yielded *more* than linkers, by a typical (though variable) margin of about 0.5 per cent. This real yield gap notoriously went heavily negative in the summer of 1987 and gave a warning of the stock market crash. In recent years the gap has reversed more frequently, but only by a few basis points – in mid-1994, in early 1996 and again during the past few weeks.

Historically, UK equities have seemed undervalued against index-linked. Over 10 years, the nominal rate of return on linkers has been 8.8 per cent against 13.9 per cent on equities. Given such an excess return it is surprising that the equity yield premium has not been eroded more rapidly.

On a forward-looking analysis, too, it is odd that the yield relationship seems to make inadequate allowance for real dividend growth – which has been about 2 per cent in the UK over the long term. By implication, a large risk premium, of the order of 2 per cent, is factored in.

An explanation could be that certain institutional holders of index-linked gilts use them to match real liabilities, and are in effect willing to pay a high insurance premium for security. But at the same time it is easy to see why British pension funds have 11 times as much invested in UK equities as in index-linked gilts, even though the latter assets were invented specifically to suit their needs.

Now, however, UK dividend yields may be going the way of their US equivalents.

Dividends face both a one-off hit from a cut in advance corporation tax and longer-term discrimination against payouts by the retention junkies who now inhabit the British Treasury.

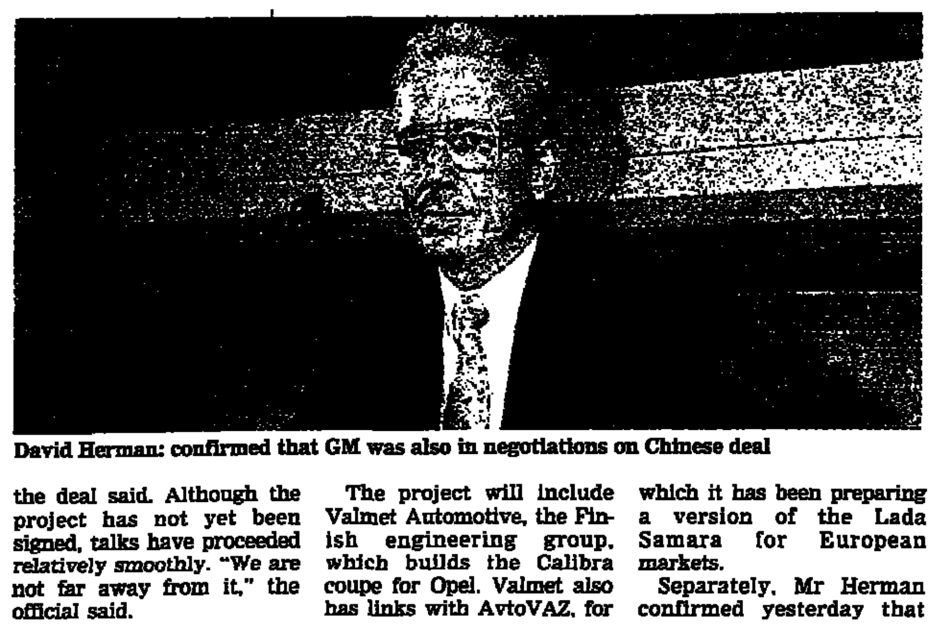
On past patterns, British share prices would have to tumble to restore the real yield gap. But will they? The real yield relationships in the US provide an alternative vision of the future.

GM moves closer to Russian car deal

By Haig Simonian in London and Graham Bowley in Frankfurt

General Motors, the world's biggest car company, will today announce in Moscow that it has made "very significant progress" in plans to build cars with one of Russia's leading carmakers.

Mr David Herman, chairman of Opel, the GM subsidiary spearheading the company's push into Russia and Ukraine, will release details of talks with AvtoVAZ, the company behind the Lada brand, and the Automobile All-Russia Alliance, to build cars at a new factory in the north-western Karelia region. Production could start by the end of 1998, an official closely involved in the deal said. Although the project has not yet been signed, talks have proceeded relatively smoothly. "We are not far away from it," the official said.



David Herman: confirmed that GM was also in negotiations on Chinese deal

The project will include Valmet Automotive, the Finish engineering group, which builds the Calibra coupe for Opel. Valmet also has links with AvtoVAZ, for which it has been preparing a version of the Lada Samara for European markets.

Separately, Mr Herman confirmed yesterday that GM was in negotiations with the Chinese authorities to take the place of Peugeot, the French carmaker, in a joint venture in Guangzhou. Peugeot has been looking to pull out of the venture, established almost a decade ago, because of disappointing sales and a lack of management control.

GM is believed to be in competition with a number of other car companies, including at least one from South Korea, and a decision is not expected before the end of the year. Unlike GM's $1.5bn plan, announced last year, to build large Buick family cars in Shanghai, the Guangzhou deal would involve Opel models.

Today's press conference in Moscow, which will include representatives from Valmet and AvtoVAZ, will flesh out GM's proposal to build 30,000-50,000 cars a year at the new plant near Vyborg in Karelia.

The partners may also give further details about their longer-term plans for a more ambitious link based at AvtoVAZ's vast Togliattigrad plant, south-east of Moscow. The former showcase plant, built with technical help from Fiat of Italy in the 1960s, needs to be modernised, and AvtoVAZ's products updated.

GM officials have regarded progress on the Vyborg project as an acid test of whether they could take on the much tougher task of working with AvtoVAZ at Togliattigrad.

Murdoch bids $350m for Dodgers

By Christopher Parkes in Los Angeles

Mr Rupert Murdoch, world media big-hitter, has taken a swing at the US sports industry with a record bid of more than $350m to buy the Los Angeles Dodgers baseball team.

A deal, which is dependent on approval by other major-league team owners, would bring Mr Murdoch into step with media groups such as Walt Disney and Time Warner, which already own ice hockey, baseball and basketball franchises.

It would also give him a stadium site close to central Los Angeles, a rich source of merchandising prospects and entertainment spin-offs, and reinforce his presence in international sports programming.

News Corp has identified sport – free of language barriers – as a key driver of international growth.

Fox Television, Mr Murdoch's News Corporation offshoot, has eight regional cable sports networks, and is the leading owner of conventional TV stations in the US with a current tally of 22.

His international TV interests embrace Japan, Latin America and Europe, where Britain's BSkyB is a leading supplier of subscription sports programmes.

The high price for the Dodgers – almost double the previous record, paid for the Baltimore Orioles four years ago – may also flush out other sports team owners willing to sell to entertainment companies.

Fox has prevailed over an array of suitors including Time Warner, Mr Robert Shapiro, a member of Mr O. J. Simpson's legal "dream team", and Mr Richard Riordan, mayor of Los Angeles.

Backed by cash reserves of more than $2bn, Mr Murdoch must now win approval from the other major league owners.

The owners were yesterday expected to approve further negotiations, and according to Mr Peter O'Malley, head of the family which has owned the Dodgers since 1950, a deal should be ready for approval by the league next month.

"We are in the fifth month of what we expected to be a six-month process," Mr O'Malley said on Monday night, confirming he was negotiating exclusively with Fox.

Inco reassured over Bre-X fall-out

By Kenneth Gooding, Mining Correspondent

Canada's Inco, the world's biggest nickel producer, which is part way through a US$580m, three-year expansion project at its Indonesian subsidiary, has been given assurances by Department of Mining officials in Jakarta that it will not suffer from the fall-out from the Bre-X affair, which has led the country to tighten its mining regulations.

This was made clear yesterday by Mr Scott Hand, Inco president, who also stressed that the events leading up to the Bre-X debacle – including large payments to companies controlled by relatives and friends of President Suharto – were the exception, not the rule.

He said that he had personal control of the recent negotiations with the Indonesian authorities for an extension to PT Inco's contract of work, and "all the negotiations were proper, transparent and above board."

Inco also has an exploration subsidiary in Indonesia, Ingold. Mr Scott said: "I would be surprised if that was affected [by Bre-X] because Inco has been operating in Indonesia since 1968 and all our people are well known to the government. It might even bring us benefits. If it comes to a choice between an unknown junior [mining company] and Inco, Inco would be the choice."

He said the Indonesian government's intention to take a free 10 per cent stake in new projects was only a renewal of a previous policy that had affected PT Inco. Nevertheless, "this inevitably will increase the cost of a project and make Indonesia less competitive compared with some other countries."

Mr Hand, in London to address investors at a Merrill Lynch conference today, remained confident about the nickel market. Inco is forecasting a 7 per cent increase in global nickel demand this year, from 934,000 tonnes in 1996 to 999,000 tonnes. Supply, meanwhile, is predicted to increase from 951,000 tonnes to 984,000 tonnes, leaving a deficit of 15,000 tonnes.

Inco expects this supply deficit to rise to between 30,000-40,000 tonnes in 1998.

Commodities, Page 24

Brazilian railways back on track

Five of the six branches of the federal network are under private management

BRAZILIAN PRIVATISATION

Maintenance staff at the Novoeste railway had never seen the blue paint on their workshop machinery until the layers of grease and soot accumulated over decades were scraped off last year. Elementary safety measures, such as the hand rails surrounding raised working areas, are just as novel.

"Before privatisation, this place was a catastrophe," says Mr Eliezer Costa Croce, workshop manager.

A 30-year concession to operate the railway – formerly the eastern branch of RFFSA, the federal network, based in Baurú in the interior of São Paulo state – was sold in April 1996 to a consortium led by the Noel Group of the US.

The privatisation of the railways is a central part of a big, two-year privatisation push by the Brazilian government, which aims to raise $10bn this year alone. It covers telecoms, the electrical energy sector, transport and mining. Analysts reckon the total value of the assets up for sale over the next two years could be as high as $80bn.

The effect the government is hoping to achieve – apart from the cash it will raise – is evident at Novoeste.

As well as boosting efficiency in its workshops, where the time taken to service a locomotive has fallen from three or four months to less than two, Novoeste has increased the proportion of locomotives in use from 39 per cent to 70 per cent, while cutting the daily average of locomotive failures from 4.1 to 1.1 and of loaded wagons awaiting movement from 436 to 37.

More significant, says Mr Glenn Michael, chief executive, has been a change of priorities: "There was nothing wrong with the previous management, but their concern was simply with running a railroad. Nowadays this is a transport company, competing for business with other transporters."

There is a tremendous market ready to be attacked. Despite Brazil's enormous size, some 56 per cent of freight, including bulk cargoes such as soya, is carried by truck. In the US, where cargoes and distances are similar but highways and trucks far superior, the figure is 28 per cent.

Five branches of the federal network are now under private management: the sixth and final concession is due to be sold in July.

Mr Isaac Popoutchi, president of the RFFSA, expects the 9 per cent of Brazil's freight carried by the network before privatisation to rise to between 15 and 18 per cent in the next six years.

The RFFSA was created when Brazil's railways were nationalised in 1957. It then employed 150,000 people, and became a source of political patronage – "overbearing, loss-making and hard to control," says Mr Popoutchi. Staff numbers fell to about 45,000 in 1995 but the network still lost $300m a year.

A further 20,000 jobs were cut last year under a $200m redundancy programme combining generous pay-offs with retraining schemes. As a result, there has been little unrest and rail privatisation has escaped the fierce opposition that delayed last week's sale of CVRD, the large mining company.

More cuts have followed under the private sector and the network is heading towards the 15,000 staff Mr Popoutchi says are needed.

Further efficiency gains will come from improvements in track and rolling stock. The RFFSA reckons the six concessions will require combined investment of at least $5bn over their 30 year terms.

The government can already count the sell-off as a good deal. The RFFSA's losses have turned into a guaranteed annual income of $150m as the new operators pay for their concessions over the next 30 years. More income will come from asset sales.

Once privatisation is complete, the RFFSA will retain a regulatory role and control of assets valued at $19bn. It will also seek to encourage greater competitiveness.

Already Mr Michael at Novoeste says his railway's new competitiveness is "tearing road transport apart". It has signed Brazil's first ever fixed rail transport contract with Mato Sul, a big soya producer, to carry between 300,000 and 800,000 tons of grain a year.

"The RFFSA would never have dared to sign a contract like that," says Mr Popoutchi. "It had a tiny commercial staff with no incentive to be creative, and it lacked the physical capacity to guarantee supply."

Mr Popoutchi says the RFFSA has drawn on the short experience of the private sector in preparing the last concession, in the north east, for sale. This is the most decrepit section of all, reflected by its minimum price of just R$11.5m (10.8m) – the Novoeste concession was sold for R$62.3m and the biggest, in the south, for R$888.9m.

But by the auction in July, its capacity will have grown enough to meet existing demand, says Mr Popoutchi. When management is transferred in November, it should be breaking even after losses last year of R$60m, and be ready to compete in the fastest growing regional economy in Brazil.

"Cargo transport is a highly competitive business and there is no reason for the state to be involved," he says – a sentiment unthinkable in Brazil just a few years ago.

Jonathan Wheatley

This is the second article in a series on Brazilian privatisation. The first appeared on April 29

AMERICAS NEWS DIGEST

Harcourt in $800m education buy

Harcourt General is to buy National Education Corporation, the largest US provider of correspondence courses, for $800m. The cash deal is the biggest yet in the growing US market for "distance learning" and computer training.

The agreed cash offer comes a month after National fought off a $740m hostile bid from Boston-based Harcourt partly with the help of an agreed deal from Sylvan Learning Systems. Sylvan, a smaller group than the victor, is to receive $30m to withdraw from its planned merger. Shares in Harcourt, which has a range of interests from educational publishing to retailing, eased $¾ to $46⅝, yesterday while National Education shares rose almost 2 per cent to 20⅞. The deal valued the target at $21 a share.

Harcourt intends to use its technology to offer its target's services online. During last month's battle, Harcourt said it intended to acquire National Educations 83 per cent stake in Steck-Vaugh Publishing corporation. It made no further comment on this yesterday.

Jane Martinson, New York

NSC takes one-off charge

National Semiconductor Corp said Tuesday it would take a one-time charge in the fourth quarter of $75m-$85m for a manufacturing realignment plan.

The company said the realignment follows completion of the previously announced sale of its Fairchild Semiconductor unit, which resulted in a one-time credit of $278m to pre-tax income. The credit represents a $77m gain on the sale of Fairchild, plus a $201m reversal of the valuation allowance and other accruals in the first quarter of the current fiscal year, which ends May 25. The company said the realignment is designed to accelerate its production transition to manufacturing eight-inch wafers with 0.35-micron circuit geometries, reduce costs and rationalise production flows.

"This realignment is another step in the pursuit of one of National's three strategic initiatives to become a world-class manufacturing company, as we transition to provide systems on a chip solutions for our key data highway partners, exploiting our analogue expertise as a starting point for forward integration," said Mr Kamal Aggarwal, executive vice president of National's Central Technology and Manufacturing Group.

About $60m of the charge relates to the writedown of certain assets in an Arlington, Texas, wafer manufacturing plant, which have become impaired as defined by Financial Accounting Standard 121. The remainder of the charge covers exit costs relating to closure of five- and six-inch wafer fabs at its California headquarters, and smaller provisions for actions at other manufacturing facilities, the company said.

Reuter, California

Placer merges operations

Placer Dome, the Vancouver-based mining group, has combined its US and Canadian operations as part of a drive to improve financial performance and step up its search for acquisitions.

The new division, to be known as Placer Dome North America, will be headed by Mr Jay Taylor, presently chief executive of Placer's US operations. Other management changes include the appointment of two executive vice-presidents. Mr Ian Austin, 46, currently chief financial officer, will take charge of acquisitions, planning and communications. Placer said exploration would still be its main vehicle for adding reserves, but that "we are raising the profile of the acquisitions activity."

Mr Sandy Laird will oversee operating units in North America, Latin America and Australasia. Mr Rex McLennan, currently treasurer, succeeds Mr Austin as chief financial officer.

Bernard Simon, Toronto

Panamco acquires Venezuela bottler

By Daniel Dombey in Mexico City and Raymond Colitt in Caracas

Latin America's "cola wars" have reopened, with two of Coca-Cola's main bottlers coming together in a $1.1bn acquisition in which Coca-Cola itself had an important role.

Aided by a transfer of shares by Coca-Cola, Pan-American Beverages (Panamco), of Mexico, has taken control of the Venezuelan bottler Coca-Cola y Hit.

The transaction means that Panamco, which already has operations in Brazil, Colombia and Costa Rica, becomes Coca-Cola's biggest bottler outside the US. It indicates the growing importance of "anchor bottlers" within the Coca-Cola network.

The Venezuelan company stunned its former partner PepsiCo last August by abruptly switching to Coke. Its founders, the Cisneros family, will now take a 10.3 per cent stake in Panamco. Coca-Cola, which had purchased 50 per cent of Coca-Cola y Hit when the Venezuelan company made its switch, increases its stake in Panamco from 13 per cent to about 25 per cent.

Panamco, for its part, becomes the 100 per cent owner of Coca-Cola y Hit. The Venezuelan company's annual volume of 200m unit cases pushes its sales up to more than 1bn unit cases a year.

Mr Sánchez-Loaeza, Panamco chief executive, said that Coca-Cola y Hit would be merged into one division with Panamco's existing Colombian operations.

While Coca Cola y Hit's cola market share of 80 per cent might prove vulnerable to a renewed offensive by PepsiCo, Mr Oswaldo Cisneros, chief executive of Coca-Cola y Hit, said that half the company's sales came from other flavours, where it had an even stronger position. "It will take time [for PepsiCo] to build up a drinks company," he added.

The deal is believed to be relatively straightforward. "There are some remaining disputes with PepsiCo as a result of the Cisneros group's defection, but they are not much more than background noise," said Mr Scott Wilkins, analyst with Deutsche Morgan Grenfell in Mexico City. "The valuation is pretty fair by Latin American standards, at about $350 to $360 per unit case."

The Cisneros brothers said that one of their main aims in joining Coca-Cola in the first place had been to expand regionally.

Cifra plays down talk of takeover

By Daniel Dombey in Mexico City

Cifra, Mexico's biggest retail group, said yesterday its talks with Wal-Mart, of the US, were aimed at merging the two companies rather than at the acquisition of Cifra by its US partner.

The two companies, which have a joint venture dating back to 1991, announced last month they were in discussions about Wal-Mart taking a direct equity stake in Cifra.

However, Mr Henry Davis, Cifra chief executive, denied that the group's owners were about to sell their entire stake to Wal-Mart.

"I do not see why [they should sell]," he said. "Our shares are undervalued. They are valued at half what they were in 1993 [in dollar terms], but we have increased our capacity by 60 per cent."

However, he said that the talks were likely to bear fruit. "I hope it will be a question of weeks or months rather than years," he said. "The discussions generally are about merging the companies."

Wal-Mart's continued interest in Cifra contrasts with the attitude of other US retailers. In recent weeks both K-Mart and Sears have pulled out of Mexico. The country's retail sector remains depressed.

Mr Davis remained guarded about middle-term prospects: "We are increasing the number of stores. But I do not see any particularly dramatic growth happening this year. Purchasing power is still sluggish."

He said that growth was skewed towards the north of the country and that most of the company's new investment was in Wal-Mart supercentres.

HK Telecom seeks Singapore licence

By Alan Cane in London

Hongkong Telecom and its parent, Cable and Wireless, the UK's second-largest telecommunications group, have joined the battle for Singapore's second national telecommunications licence.

In conjunction with The Keppel Group, the Singapore-based industrial conglomerate, and Singapore Press Holdings, the two companies are bidding for a fixed-wire licence to operate from April 2000.

A consortium with the same partners, called MobileOne (M1), launched Singapore's second mobile network last month. Mr Richard Brown, C&W chief executive, said yesterday a fixed wire licence "would enable us to dig our roots deeper in a market where we have quickly become established through M1".

"The combination of C&W's worldwide experience, Hongkong Telecom's regional experience and the local market knowledge of Keppel and SPH makes us a powerful contender," he added. M1 already has 40,000 mobile subscribers.

The Singaporean telecommunications authority said last year it would grant licences to a maximum of two operators, to compete with Singapore Telecommunications. Two months ago a consortium including British Telecommunications and NTT, the largest Japanese operator, became the first to enter the bidding. Applications must be in by May 31.

The bidding consortia must be owned at least 51 per cent by Singaporean companies. The partners said yesterday that the shareholding structure of the new joint venture was still being finalised.

The Keppel Group is involved in shipbuilding and repair, property, banking, telecommunications and engineering.

SPH is a large publisher in the region with intensive newspaper interests, including the English-language Straits Times.

The future of Hongkong Telecom has been a source of intense interest over the past few days following the sale of a minority stake held by Citic Pacific to China Everbright, the investment arm of the Chinese state council.

There has been speculation that C&W might be forced to yield ownership of Hongkong Telecom to Chinese concerns.

ANA president to quit this summer

By Michiyo Nakamoto in Tokyo

ANA, the Japanese airline, announced that Mr Seiji Fukatsu, president, would resign in the summer and be replaced by Mr Kenzo Yoshikawa, currently president of ANA Real Estate.

The sudden departure of Mr Fukatsu, who had navigated Japan's second-largest airline through deregulation, has shocked the industry, which had expected him to run for a third term.

Reports suggested Mr Fukatsu's resignation was the result of an internal coup by elder members of the ANA management – in particular, Mr Tokuji Wakasa, honorary chairman, and Mr Takaya Sugiura, chairman.

Mr Fukatsu has been ANA's most outspoken proponent of globalisation and had set a target for the company to increase revenues from international business from 30 per cent currently to 50 per cent.

The 64-year-old president was also known for his views on deregulation. He accepted the idea of "open skies", which the US has been seeking to achieve in its bilateral aviation accord with Japan.

Acquisition boosts St George Bank

By Nikki Tait in Sydney

St George Bank, the Australian regional bank which earlier this year acquired Advance Bank in a A$2.7bn (US$2.1bn) deal, yesterday announced an after-tax profit of A$83.7m for the six months to end-March, compared with A$74.5m a year ago.

The bank, now Australia's fifth largest, said the result included two months' contribution from Advance of A$19.1m. The profit was scored after minorities and the dividend on its converting preference shares.

It also came after a 19.6 per cent increase in the charge for bad and doubtful debts, to A$18.9m. However, St George said that as a percentage of average assets, the charge fell slightly, from 0.17 per cent a year ago to 0.14 per cent.

During the half-year, the enlarged bank's net interest margin also fell, from 3.47 per cent to 3.16 per cent.

The bank acknowledged that the increasingly competitive retail banking market in Australia was largely responsible.

Banks have been facing pressure from non-bank lenders in the lucrative home loans market.

Overseas growth lifts Shiseido

By Gwen Robinson in Tokyo

Shiseido, Japan's leading cosmetics maker and the fourth largest in the world, yesterday announced record sales and profits in the year to March, largely because of an aggressive new strategy to boost overseas sales and restructure domestic and international marketing.

Consolidated recurring profit in the year to March 31 surged 16 per cent to Y41bn ($346m) and group sales grew 4.9 per cent to Y588.6bn. Profit after tax rose 9.4 per cent to Y19.2bn.

Overseas sales jumped 28 per cent and now represent 11 per cent of total sales. Last year Shiseido launched a five-year plan to more than triple overseas sales so that they would account for 25 per cent of the total.

Domestic sales grew only 2.7 per cent, reflecting intensifying price competition in Japan, particularly in toiletries.

For the current year, Shiseido expects overseas sales to jump 33 per cent and domestic sales to edge up 4 per cent, lifting the group's overseas sales ratio to 14 per cent.

Shiseido expanded its overseas sales networks last year, adding Brazil, Turkey, Israel, Cyprus and the Czech Republic, to bring the total number of countries covered to 48.

China showed the fastest growth, almost doubling sales in the year and reinforcing Shiseido's plan to expand Asian sales to account for 40 per cent of total overseas sales.

Global reach: Japanese cosmetics group's overseas sales network now covers 48 countries

Shiseido also raised overseas production at some of its factories in France, the US, China, Taiwan and New Zealand.

The company last month announced the acquisition of factories in the US, which it said would help boost North American output 120 per cent by 2000.

Shiseido bought Helene Curtis's professional products business in the US and Canada last November. Last month it acquired one of two Helene Curtis units in Japan, and has signalled interest in other acquisitions in Japan and abroad.

This year it expects consolidated recurring profit to increase 4.9 per cent to Y43bn on net sales of Y630bn, up 7 per cent. Profit after tax is projected to rise 9.6 per cent to Y21bn.

The company plans to maintain an annual dividend of Y12.5 a share.

Shiseido shares rose Y30 to Y1,770, up from Y1,300 at the end of the interim reporting period last September and well above Y1,450, the highest level reached last year.

ASIA-PACIFIC NEWS DIGEST

Low paper prices hurt Carter Holt

Carter Holt Harvey, the New Zealand forestry group, blamed cyclical price lows in wood products, pulp, paper and tissue for a 45 per cent fall in earnings to NZ$251m (US$175m) last year. The profit was in line with analysts' expectations. Mr John Faraci, chief executive, said that the company had offset some NZ$246m in price erosion by locking in efficiency gains and cutting costs.

Earnings from associated companies, primarily Copec of Chile, fell from NZ$126m to NZ$75m, mainly because of poor pulp prices.

Mr Faraci said forestry and wood products businesses had faced extremely weak markets. A 43 per cent drop in wood pulp prices over the year had contrasted with modest growth in sales volumes. *Terry Hall, Wellington*

Phone groups resist price cuts

Thai Telephone & Telecommunications, Thailand's private provincial telephone operator, has refused to cut its trunk-call charges, as requested by the state telephone authority, claiming it would be technically bankrupted if it were to do so. TelecomAsia, the fixed-line operator in Bangkok, also refused to trim prices for long-distance calls.

TT&T could lose money this year, compared with a profit of Bt424m ($16.4m) last year, while TelecomAsia is expected to report a loss of Bt417m. TT&T said that after four years of operating fixed lines it had yet to break even and had been forced to borrow money from shareholders and take on syndicated loans.

TT&T is required to give 43.1 per cent of its revenue to the government while TelecomAsia has to give up 16 per cent. Both groups claim that contracts with their lenders prevent them from accepting big tariff changes, which the government is trying to impose.

William Barnes, Bangkok

Swire acquires Volvo rights

Swire Pacific, the Hong Kong conglomerate, is acquiring the rights to distribute Volvo cars in the territory and in south and central China, from Jebsen & Co, a Hong Kong trading house. The deal marks Swire's entry into car distribution in Hong Kong. It has distributed Volvos in Taiwan since 1977 and in northern and eastern China since 1993.

Yesterday's announcement, which comes before a range of new Volvo models is launched in Hong Kong in the coming months, also reflects Swire's strategy of gradually building its operations on the mainland. It already holds dealerships for other products, including Reebok sportswear, and has several large industrial joint ventures, including bottling plants and breweries.

John Ridding, Hong Kong

NWI raises HK$2.04bn

New World Infrastructure, the separately-listed arm of New World Development, the Hong Kong property developer, yesterday raised HK$2.04bn (US$263m) through a share placement. According to Crédit Lyonnais Securities Asia, lead manager, the issue was "several times" oversubscribed and saw strong demand from New York and London institutions, as well as local buyers.

The funds are to be used as working capital, and will support New World Infrastructure's growing pipeline of projects in China. These include toll roads, bridges and power stations. *Louise Lucas, Hong Kong*

Telecoms alliance seeks new partner

By Nicholas Denton in London and Ralph Atkins in Bonn

Five international telecommunications operators have been invited to bid to replace Cable and Wireless in the German telecommunications alliance abandoned by the UK-based carrier in February.

They are NTT, the largest Japanese operator; Stet, the Italian national carrier; BellSouth and SBC Communications, the US regional Bell operating companies; and GTE, the US local operator.

The replacement of C&W, and the earlier loss by British Telecommunications of one of its partners, is part of the manoeuvring for position in the German market ahead of liberalisation in 1998.

On offer is a 22.5 per cent participation in o.tel.o, the new telecommunications operation in which Veba and RWE, the two German utilities, have stakes of 40 per cent and 37.5 per cent, respectively.

C&W, having re-examined the cost of its expansion in continental Europe, agreed in February to sell back its o.tel.o stake to Veba for DM2.21bn ($1.3bn).

The winning bidder is expected to pay a similar price, adjusted for Veba's DM480m acquisition of Urbana, the German cable television network.

The o.tel.o group aims to compete with Deutsche Telekom, the national carrier, and take over 10 per cent of the DM80bn German telecoms market.

The business, as well as having rights of way along Veba and RWE power lines to lay cables, has a 30.1 per cent stake in E-Plus, one of the leading digital wireless services in Germany.

It is understood that the German utilities, which are being advised by Lehman Brothers, the US investment bank, sent out a document to potential bidders last week outlining the state of o.tel.o's build-out and finances.

Mr Ulrich Hartmann, Veba chairman, said he hoped for a deal by the end of the year. He confirmed talks were under way with BellSouth, a partner in E-Plus, and the other two US carriers.

The successful bidder would provide telecoms expertise as well as investment. However, none of the five would bring to o.tel.o a link with one of the global alliances which increasingly dominate international traffic.

All three global alliances – Concert, AT&T Unisource and GlobalOne – are already linked with other German groups.

Bidders for Retevisión line up

By Tom Burns in Madrid

Deutsche Telekom and AT&T, the largest US telecoms operator, have stayed out of the battle to acquire Retevisión, the second telecoms operator in the attractive Spanish market.

However, the German company yesterday signalled it may re-enter the market if its allies in the Global One group win.

"We took a decision concerning a bid at the end of last week, to the effect that our French colleagues [France Telecom] will take the lead while we will keep an option. We have decided to stand back," Mr Ron Sommer, Deutsche Telekom chief executive, said yesterday.

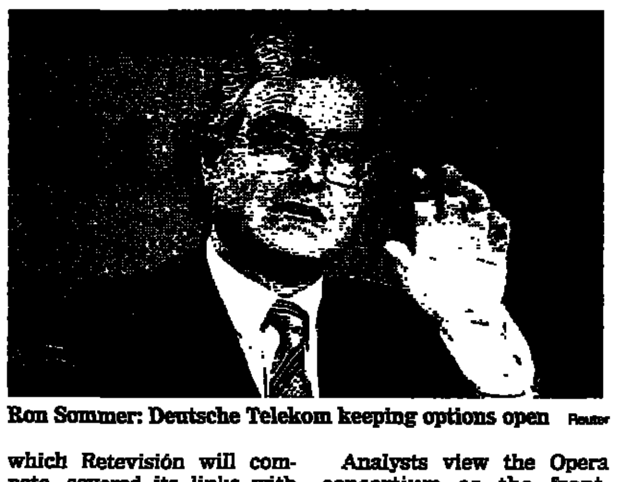
Retevisión said three groups had submitted bank guarantees for Pta1bn ($6.9m) to secure bids for the operator by June 9.

A consortium called Opera is led by Banco Central Hispano, the big domestic banking group, and is backed by the Deutsche Telekom's Global One partners France Telecom and Sprint, of the US.

AT&T has surprised some observers by not accompanying Germany's Mannesmann in a joint bid. In spite of its links with Unisource – the alliance of the Dutch, Swedish and Swiss operators that has a strategic agreement with AT&T – and its informal ties with Stet, the Italian telecoms company, Mannesmann will present a bid on its own.

Stet has also avoided international tie-ups. It will jointly lead a bid with Endesa, the Spanish government-controlled power group, which is backed by Unión Fenosa, the third-ranked electricity generator in Spain, and by a clutch of regional savings banks.

The final line-up for Spain's second operator reflects the fluid state of allegiances in the telecoms sector since Telefónica, the big national operator against which Retevisión will compete, severed its links with Unisource last month and joined the Concert alliance of British Telecommunications and MCI, of the US.



Ron Sommer: Deutsche Telekom keeping options open Reuter

"The Retevisión licence gives the companies an opportunity to reappraise their positions in Europe," said Mr Bill Coleman, telecommunications analyst at HSBC-James Capel in London.

Analysts view the Opera consortium as the front-runner because it has a high international profile.

Deutsche Telekom is believed to have opted out of the bidding process at the last minute because of balance sheet contraints, but it is expected be present in the Spanish market, should Opera acquire Retevisión, through its Global One partnership.

BT-MCI link set for go-ahead

The European Commission will today clear the $20bn merger between British Telecommunications and MCI, the US long-distance telecoms group, after imposing two substantial conditions, writes Emma Tucker in Brussels.

The competition authorities in Brussels were worried that the deal as it stood would have created a dominant position in the UK audio and video conferencing market, as well as reinforcing the strength of the companies in the market for transatlantic telephone calls.

BT will have to guarantee access for competitors to its transatlantic submarine cables at reasonable prices to ensure that it does not have a monopoly on the route.

It will also have to divest MCI's audioconferencing business in the UK.

Agnellis reduce stake in Unicem

By Paul Betts in Milan

The Agnelli family Ifil and Ifi holding companies yesterday announced a further restructuring of their industrial investment portfolio with the sale of an initial 20.5 per cent stake, and options, worth about L380bn ($225m) in Unicem, Italy's second largest cement group, to the family-run Fratelli Buzzi cement company.

The latest deal comes barely a week after Ifil forged a long-term alliance between Rinascente, the Italian retailer it controls, and the privately-owned Auchan supermarket group of France.

Both deals reflect the strategy of the Agnelli holdings to develop alliances to strengthen the activities of their diverse investments, while raising cash and hedging portfolio risks.

Ifil and Ifi own 50.3 per cent of Unicem, which after extensive restructuring is now profitable with net earnings of L37.8bn on sales of L873.3bn last year.

Ifil yesterday agreed to sell to Fratelli Buzzi, a cement producer with net profits of L50.5bn on sales of L485.8bn, an initial stake of 20.5 per cent in Unicem at a price of L18,800 a share – a 50 per cent premium on Unicem's closing share price on Monday of L12,460. Unicem shares were suspended yesterday ahead of the announcement.

Fratelli Buzzi will also have the option of acquiring additional Ifil shares in Unicem for the same price to increase its stake to 27.6 per cent.

It also acquired a further option to buy Unicem convertible bonds held by Ifil which, if converted, would further increase Fratelli Buzzi's stake in Unicem.

Ifil said the sale of the initial 20.5 per cent stake would raise L245bn, while the options on the convertible bonds would bring in an additional L135bn for an overall total of L380bn. Should Fratelli Buzzi exercise further options to acquire Ifil's remaining stake by 2004, the Agnelli holding would raise a further L320bn.

Under Italian takeover regulations, Fratelli Buzzi will be required to make a public offer because of change in the control of Unicem.

Last week, Ifil's retailing alliance with Auchan and its Rinascente subsidiary provoked a storm among Rinascente's minority shareholders because it was so structured that it did not require a public offer.

Ifil said yesterday that Unicem and Fratelli Buzzi had complementary activities in Italy and the US. The agreement also reflected the trend of consolidation in the industry.

A new three-year restructuring plan is also about to be launched at Galbani, the Italian foods group producer of "Bel Paese" cheese controlled by Danone of France and in which Ifil has a 10 per cent stake.

EUROPEAN NEWS DIGEST

Southern group to buy Bewag stake

A group led by Southern Company of the US is to buy a majority stake in Bewag, the Berlin electricity utility, making Southern the first foreign company to take a controlling share in a German utility. The city of Berlin announced yesterday it had agreed to sell for DM3.19bn ($1.87bn) its 50.8 per cent stake in Bewag to the consortium which includes Southern as well as the German industrial groups Veba and Viag.

The deal, which is subject to approval by European Union cartel authorities, means the consortium will control about three-quarters of the utility's shares. Each of the three companies will hold a quarter stake in the utility but Southern will take management control. The remaining portion of the shares will remain publicly owned. Mr A. W. Dahlberg, Southern Company chairman, said: "This is by far the most significant investment undertaken by an American company in continental Europe's electric utility industry." Southern bought SWEB, the UK electricity utility in 1995, but the deal with Bewag marks its first push into the continental European market.

An analyst at UBS in New York said: "This is part of Southern's strategy of taking the cash they are generating in the US and trying to build up regional businesses in areas that have the potential for higher growth than in the US." Mr Barney Rush, a corporate officer of Southern Company responsible for European development, said: "This is the right way for an American company to enter into continental Europe and to be able to seize the growth opportunities in Europe that will be very much like those we are seeing in the US at present."

The deal ends a period of speculation about potential buyers of Bewag after the Berlin authorities came under pressure to sell its share in the utility to ease their financial problems. But analysts said the city could have got more for its stake if it had not been under such pressure to sell quickly. "The authorities were trapped between a lack of bidders and a financial emergency," said Mr Joeri Sels, analyst at WestLB Research in Germany. He said the sale could have raised as much as DM3.5bn.

Ms Annette Fugmann-Heesing, Berlin's finance minister, said the three companies pledged to hold their 50.8 per cent stake for a minimum of 20 years. She said she expected a favourable ruling from the European Union cartel authorities.

Southern Company will be able to appoint four of the 10 non-union seats on the company's board, Mr Rush said. Veba and Viag already held 10 per cent stakes in the utility. *Graham Bowley, Frankfurt*

Paribas in control at Bancaire

Paribas, the French financial group, said yesterday it had acquired more than 50 per cent control over Compagnie Bancaire, its specialist financial services subsidiary. It said it had increased its stake from 47 per cent over the last few weeks, and now held 50.28 per cent of the shares and 50.01 per cent of the voting rights in the company.

Paribas stressed that it had no intention of increasing its shareholding further, and that its action had been designed to consolidate its hold over Bancaire. It said that Bancaire was an integral part of its strategy, as the centrepiece of its specialist financial services activities. The Paribas group's other core business is international investment banking.

Paribas became the leading shareholder of Compagnie Bancaire in 1979, and has forged a number of commercial alliances with its subsidiaries, including Cardif, the life insurance arm, and Cortal, its savings business. Compagnie Bancaire, which also provides direct banking, property investment and consumer credit services, reported an exceptional loss of FFr1.2bn ($209m) for 1996 after taking FFr2.5bn in provisions, compared with profits of FFr602m in 1995. Apart from Paribas, the French state-controlled institution Caisse des Dépôts et Consignations owned 4.6 per cent when figures were last released for the end of 1996, with GPA-Vie holding 0.92 per cent and other companies and mutual funds between them 42.7 per cent. *Andrew Jack, Paris*

Mannesmann, Telekom in deal

Deutsche Telekom and one of its new competitors, Mannesmann, the industrial conglomerate which is building its own telecommunications business, have announced plans to co-operate in providing information to new-generation "intelligent" car navigation systems. A jointly-owned company DDG, based in Düsseldorf, will supply information on traffic conditions for use by subsidiaries of the two companies set up to offer the new service, T-Traffic and Mannesmann Autocom. Although Mannesmann has sought to present itself as one of the main challengers to Deutsche Telekom – a process expected to be accelerated when the German market is fully liberalised in January - yesterday's deal will allow the development of common standards for traffic information systems.

Mannesmann and Deutsche Telekom said, however, that co-operation would be limited to the collation of information. Autocom and T-Traffic – part of Deutsche Telekom's mobile telephone operations – will remain rival service providers. T-Trafic said its systems was expected to be available later this year.

Ralph Atkins, Bonn

COMPANIES AND FINANCE: EUROPE

Row over Thomson heats up

By David Owen in Paris and Graham Bowley in Frankfurt

Alcatel Alsthom yesterday went on the offensive in the battle for Thomson-CSF, the French state-controlled electronics giant. The telecoms and engineering group warned that a competing bid from Lagardère, the French conglomerate, would lead to the break-up of Thomson.

As the temperature mounted in exchanges over the future of a company whose fate is seen as vital to the European defence sector, Mr Serge Tchuruk, Alcatel chairman, said Lagardère would be forced to enter complex structures in which it would cede majority control to finance an operation that was beyond its means.

His comments came as Mr Yves Michot, chairman of Aerospatiale, the French state-owned aircraft and defence company, hit out at Germany's Daimler-Benz Aerospace (Dasa) for teaming up with Lagardère before the winner of Thomson was known.

In a strongly worded interview, Mr Michot told Les Echos, the French financial daily, that it would have been "normal" for Dasa – which, like Aerospatiale, is a partner in Europe's Airbus Industrie civil aircraft consortium – to have awaited the choice of the French government before associating itself with the winner.

He warned that forming an alliance against Aerospatiale was "signing the death warrant of Airbus". British Aerospace, another Airbus partner, is to back Lagardère's bid with £300m ($487m).

However, Dasa said yesterday: "Emotions are in play in France at the moment, it seems. But we have made our decision on the merits of the issue. After having talked to both contenders, we thought that we would find ourselves in co-operation with Lagardère in the best position for the future structure of the industry in Europe."

Meanwhile, Mr Tchuruk and Mr Serge Dassault, with whose Dassault group Alcatel has made an offer for Thomson, also criticised Lagardère for agreeing to the deal with Dasa before the winner was known.

Although some of Mr Dassault's comments had a distinctly nationalistic tone, Mr Tchuruk emphasised Alcatel would quickly hold talks with other leading European defence companies if its offer were accepted.

The UK's GEC said this month that, whichever side won Thomson, it would negotiate links between GEC-Marconi, its defence unit, and Thomson-CSF.

Lagardère later hit back, accusing its rivals of using "untruthful arguments". "Who can believe that Lagardère will dismantle Thomson-CSF?", it asked.

Lower demand for gas hits Repsol profits

By David White in Madrid

Repsol, the Spanish oil, gas and chemicals group, yesterday announced a 12 per cent fall in net profits to Pta31.04bn ($216m) in the first quarter, its first results since it was fully privatised last month.

However, it said operating profits had remained almost level at Pta53.12bn and described the quarterly performance as "very positive" in the circumstances. Its gas business was hit by lower household demand – a consequence of moderate weather – and a government-imposed freeze on prices. But the rest of the group's activities in Spain and Latin America were "fully satisfactory", it said.

The figures, which were below market expectations, were announced just before the close of trading on the Madrid stock exchange, where Repsol shares ended unchanged at Pta6,080.

This compares with the price of Pta6,010 set for institutions in the April share offering, and a discounted price of Pta5,803 for retail investors. The heavily oversubscribed privatisation issue, in which the state sold its last 10 per cent holding in the group, brought in net revenues of about Pta170bn.

The fall in net earnings reflected higher depreciation charges. Like other Spanish companies, Repsol said it had taken advantage of a facility to revalue its fixed assets in order to generate tax savings.

The company said it had managed to offset most of the short-term impact of this revaluation as well as the setback in its gas business.

Operating results from gas tumbled from Pta23.23bn in the same quarter last year to Pta10.94bn. Its propane and butane gas activities slipped into the red with a quarterly operating loss of Pta564m, while earnings from natural gas – through Gas Natural, the company in which Repsol is the main shareholder with a 45 per cent stake – fell by 14 per cent.

On the other hand, chemicals fared better after last year's downturn, with a 30 per cent improvement in first-quarter operating profits to Pta7.25bn. Earnings from refining and marketing rose 13 per cent to Pta22.91bn, helped by the strength of the US dollar against the peseta.

Financial trading boosts WestLB

By Andrew Fisher in Düsseldorf

Westdeutsche Landesbank, Germany's biggest public sector bank, made a positive start to the year with a 7.5 per cent rise in first-quarter operating profits before risk provisions.

Higher earnings from financial trading, which had also produced a sharply higher result in 1996, contributed to the advance, as did lower costs.

While the first quarter could not be taken as a guide to the full year, the bank expected another satisfactory result in 1997, Mr Friedel Neuber, chairman, said.

Last year, operating profits before risk provisions were 3.6 per cent higher at nearly DM1.9bn ($1.12bn).

The operating result was up 10.5 per cent at DM1.39bn after provisions, which fell from DM573m to DM507m, mainly because of reduced foreign loan risks.

Net income rose 10 per cent to DM736m.

Mr Neuber said the expansion in investment banking, with an increased presence in London through West Merchant Bank and Panmure Gordon, the UK stockbroker bought last year, made a large contribution to profits.

Some 35 per cent of WestLB's income came from trading and commission business, against 30 per cent in 1995.

INTERNATIONAL NEWS DIGEST

AssiDomän upbeat despite 56% fall

AssiDomän, the Swedish forestry group, yesterday confirmed global pulp and paper price weakness by revealing a 56 per cent fall in pre-tax profits to SKr360m ($46.84m). The result came on a decline in sales from SKr5.01bn to SKr4.82bn. However, it joined competitors such as Metsä-Serla of Finland in predicting an improvement for the rest of the year.

The company said the market for paper and cartonboard had turned upward in the first quarter. "The generally weak situation in the market for paper and cartonboard in 1996 was replaced by a positive development for the majority of AssiDomän products in the first quarter of 1997," AssiDomän said yesterday. However, it was less hopeful about the pulp sector. "The pulp market remains uncertain," it said.

The company also said yesterday it was in talks about acquisitions in Asia. *Reuter, Stockholm*

Strong growth at SAB

South African Breweries, the world's fourth-largest, celebrated a year of record growth in foreign markets by announcing a solid rise in full-year profits. Earnings from international beer interests rose 48 per cent to R255m, which helped boost pre-tax profit by 14 per cent to R3.4bn ($770m). Turnover in the year to December 31 rose 13 per cent to R36.9bn, and earnings per share by 12 per cent to 605 cents. The final dividend was 222 cents a share, bringing the total for the year to 287 cents, compared with 250 cents previously.

Analysts applauded the results, which they said were in line with expectations. In spite of a downturn in consumer spending in South Africa, earnings from local beer interests were 16 per cent higher at R1.17bn, which offset a decline in earnings from the retail, hotel and manufacturing interests. *Mark Ashurst, Johannesburg*

DnB lifts offer for BNbank

Den norske Bank, Norway's largest commercial bank, yesterday lifted its offer for shares in BNbank by NKr5 a share to NKr203. It also said if it failed to gain acceptance from 90 per cent or more of the shares, it would ask the government for dispensation to keep the equity it amassed. Under Norwegian law, a bank must either own 90 per cent or more, or 10 per cent or less, of the shares in another financial services company, although the government has the power to grant dispensations. DnB said it had obtained acceptances from shareholders controlling 68 per cent of BNbank, which is Norway's fifth-largest bank with assets of NKr24bn ($3.38bn).

DnB's bid for control of BNbank is one of three battles under way in Norway which could restructure the finance industry. Sparebankgruppen has made a bid for Fokus Bank, the fourth-ranking bank with assets of NKr34bn, but has so far gained acceptances from only 10 per cent of the capital. Fokus Bank, meanwhile, has made a bid for BNbank, which looks set to fail. A proposed merger between Christiania Bank, the second-ranking commercial bank, with Uni Storebrand, the largest of Norway's insurance companies, may not be resolved until the end of June, when Storebrand's shareholders meet at an extraordinary meeting. A significant minority of Storebrand investors oppose the merger. *Hilary Barnes, Copenhagen*

Cigna in Polish venture

Cigna International, the large US insurer, is to establish a joint venture in Poland – its first foray into the central and eastern European region. Cigna said yesterday it would link with Bartimpex, a Polish trading company with an interest in insurance and which has specialised in trading Polish food products for Russian natural gas. *Christopher Bobinski, Warsaw*

CONTRACTS & TENDERS

Pirc ready to attack oil company's environmental policies at today's annual meeting

Shell defends record in Nigerian report

By Robert Corzine and Leyla Boulton

Royal Dutch/Shell, the largest international oil company, and critics of its environmental and human rights record fired their final salvoes yesterday before an expected clash at today's annual meeting in London.

The company published a report on its role in Nigeria – where it has been accused of complicity in human rights violations and of polluting the Niger River Delta – in a final effort to secure support for its ethical and environmental stance.

The progress detailed in the report was overshadowed, however, by continuing community unrest in the delta affecting Shell's operations. The company yesterday confirmed that youths protesting against local government boundary changes had occupied the Nembe Creek production unit, forcing Shell to shut in about 100,000 barrels a day of oil production, a quarter of its total output in the delta.

Shareholders at today's meeting of Shell Transport and Trading, the group's London arm, will be asked to vote on a resolution sponsored by several institutional investors and supported by Pirc, the campaigning pension fund advisory service.

It calls on Shell to tighten its environmental and human rights policies and to submit them to an independent external review and audit. The resolution also demands a detailed report on *Shell's implementation of* such policies in Nigeria.

Similar demands to Pirc's are also expected to be raised at today's annual meeting of Royal Dutch in the Hague.

Pirc, which claims the support of 15 pension funds in today's vote, said publication of the Nigeria report on the eve of the annual meeting highlighted the effectiveness of its campaign.

"What this shows is that Shell feels under a lot of pressure," said Ms Anne *Simpson, Pirc's co-director*. "What we would have liked to see was a clear setting of priorities for the future rather than a knee-jerk reaction."

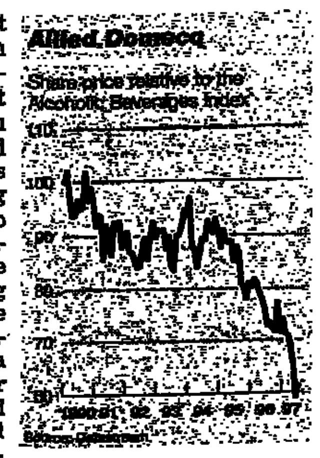
Shell rejected such suggestions and said the report was part of its effort to allow shareholders and others to "see whether we are achieving what we say we want to achieve."

The report said Shell was making progress in improving its environmental and social performance in the Niger Delta, where its Nigerian oil output was concentrated.

Mr Brian Anderson, managing director of Shell's Nigerian subsidiary, said the practice of flaring large amounts of natural gas in the delta would be phased out by 2008 or earlier. He also disclosed that Shell had begun a pilot programme of external monitoring of environmental standards at two of its 87 production processing stations in the delta.

LEX COMMENT

Alld Domecq



Allied Domecq's resurgent share price is no reflection of its business performance. The management has learnt that if you promise nothing, it is hard to disappoint. Both its spirits and pub retailing divisions continue to underperform the competition, but investors were relieved there was nothing worse and pleased that the group maintained its dividend. But that looks like a hollow victory. Even after a likely pick-up in second half profits, Allied will have minimal free cash-flow after dividends this year. And spending on marketing its spirits brands is growing well below inflation, while capital expenditure is actually falling.

Of course, following the proposed Guinness/Grand Metropolitan merger, the hope is that a corporate deal will help Allied out of its hole. And the management must be relieved that it did not opt to break the business up last year. The turmoil of a demerger would make it far harder to pursue any deals – besides, by the time any demerger of the spirits division could have happened there would have been two fewer buyers.

Nonetheless, it is hard to see what Allied can pull out of the hat. Seagram is an unlikely bidder, and Allied cannot afford to buy much itself. Moreover, GMG demonstrates that cost savings from mergers are not enormous, which argues against much of a takeover premium for Allied. In the short-term, GMG could help pricing stability in the spirits industry and release a few brands. But GMG is at least as much of a threat as an opportunity for Allied.

Allied Domecq may oppose GMG Brands

By John Willman in London, Richard Tomkins in New York and Emma Tucker in Brussels

Allied Domecq, the UK drinks group, yesterday joined Seagram of Canada in warning that the £23.8bn ($38.6bn) merger of Grand *Metropolitan and Guinness* to form GMG Brands would not go unchallenged.

Sir Christopher Hogg, chairman, said he believed Allied Domecq was well-placed to take advantage in the upheaval created in forming the world's largest spirits and wines group.

But he said that Allied would examine the merger on a market-by-market basis, and complain to the regulators if shareholders' interests were threatened.

"The merger is part of the continuing process of consolidation that we have seen in the brewing and drinks sector over the past few years," he said. "While the deal may present some future problems for the group, it will also create opportunities as well."

The two areas where the GMG Brands merger – which will create the world's seventh largest food and drinks company – is most likely to fall foul of competi*tion regulators* are the US and Europe.

In the US, the combined companies will hold 24 per cent of the spirits market and about half the market for whisky. Seagram, the world's second-largest spirits producer, has already said it will protest.

Under US anti-trust law, the parties to the merger must notify the appropriate regulatory agency of their intention to merge 30 days before the merger takes *effect*.

If the parties press ahead with their merger without waiting for the agency's approval, the agency will seek, and probably obtain, a temporary restraining order. If the agency opposes the deal, the companies can either abandon it, or proceed in the knowledge that the agency will sue to block it.

Mr Roger Noll, a professor of economics at Stanford University, said: "My expectation is that the agency *would not prevent the* merger, but it would focus on the specific aspects of the merger that it believed cause anti-competitive harm, and require that the companies either not merge or spin off those aspects of the deal."

In the European Union, the size of the merger means it automatically falls under the scrutiny of Brussels.

The competition authorities will have one month to carry out an initial probe. If they have doubts about its *impact, they can extend it by* four months.

It is rare for the commission to block a merger outright. It is more likely to demand divestments.

BOC deflated by rise in sterling

By Jenny Luesby

Currency movements wiped out solid increases in sales and profits in the first half of the year at BOC, the industrial gases group.

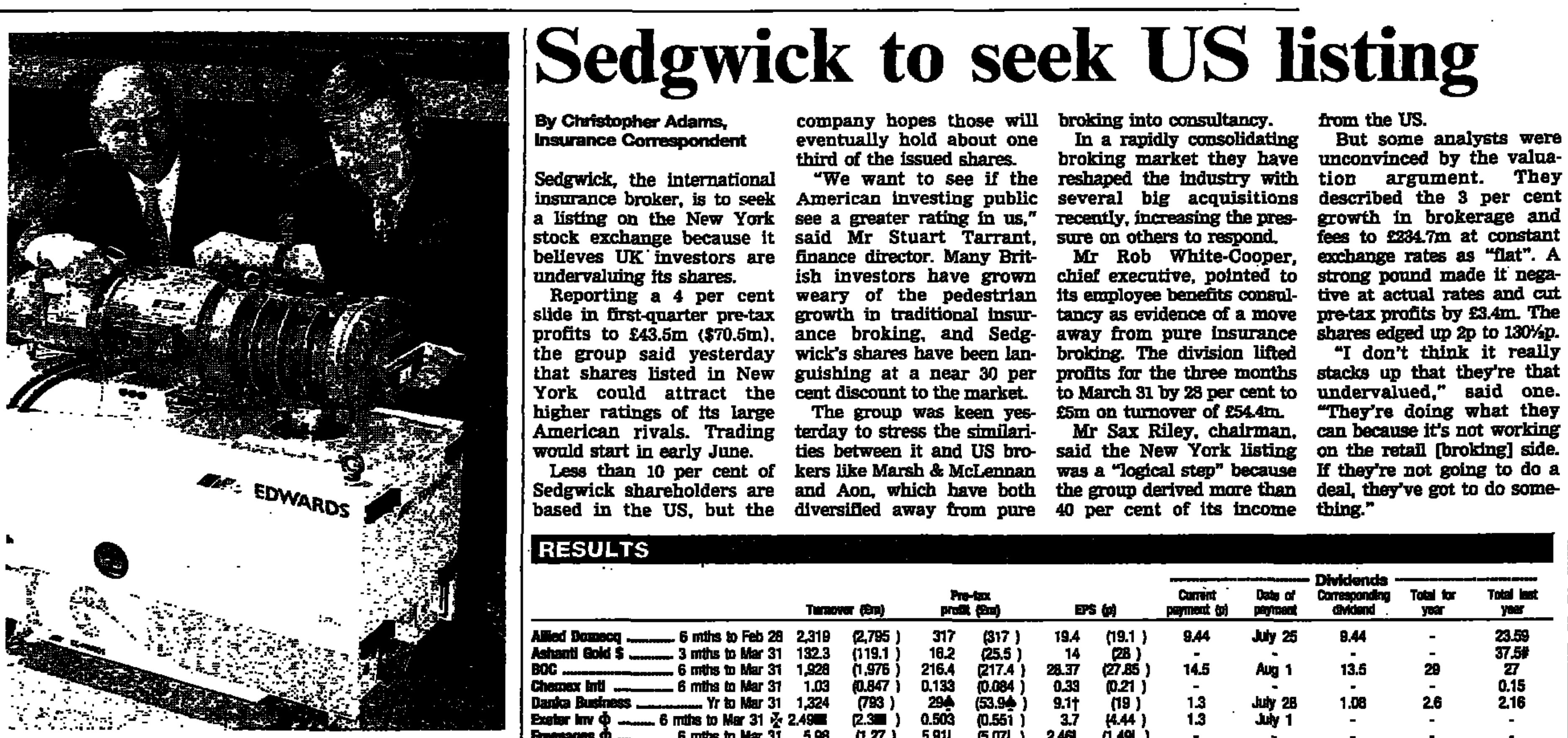
Announcing interim results yesterday, Mr Danny Rosenkranz, chief executive, said sterling's strength had cut pre-tax profits by £13.7m ($22.2m) in the six months to March 31.

If reported in local currencies sales would have risen by 5 per cent, pre-tax profits by 6 per cent and earnings per share by 7 per cent.

However, in sterling terms, the pre-tax result was £1m lower than the previous year at £216.4m, on turnover down by 3.3 per cent at £1.8bn.

Thanks to lower tax charges, earnings rose by 1.9 per cent to 28.37p (27.85p). A second interim dividend of 14.5p (13.5p) is announced, taking the total from 27p to 29p.

Industrial gases, accounting for three-quarters of turnover, achieved underlying profit growth of 9 per cent, after adjusting for currency translation. However, unadjusted sales and operating profits were up by less than 1 per cent.



Stewart Goldstein

Danny Rosenkranz (left) and Tony Isaac, finance director, find currency movements have undermined sales growth

Meanwhile, sales and profits fell sharply for both healthcare and vacuum pumps.

Prices continued to drop for the anaesthetic gas Forane, and the group's plans to extend into generic injectable anaesthetics were stalled by a Zeneca patent extension.

In vacuum pumps, the semiconductor market had begun to pick up, the group said, but had not yet returned to the buying levels of this time last year.

The group's smallest division, the UK-based distribution service, was unhindered by currency translation, and reported some margin improvement.

Sedgwick to seek US listing

By Christopher Adams, Insurance Correspondent

Sedgwick, the international insurance broker, is to seek a listing on the New York stock exchange because it believes UK investors are undervaluing its shares.

Reporting a 4 per cent slide in first-quarter pre-tax profits to £43.5m ($70.5m), the group said yesterday that shares listed in New York could attract the higher ratings of its large American rivals. Trading would start in early June.

Less than 10 per cent of Sedgwick shareholders are based in the US, but the company hopes those will eventually hold about one third of the issued shares.

"We want to see if the American investing public see a greater rating in us," said Mr Stuart Tarrant, finance director. Many British investors have grown weary of the pedestrian growth in traditional insurance broking, and Sedgwick's shares have been languishing at a near 30 per cent discount to the market.

The group was keen yesterday to stress the similarities between it and US brokers like Marsh & McLennan and Aon, which have both diversified away from pure broking into consultancy.

In a rapidly consolidating broking market they have reshaped the industry with several big acquisitions recently, increasing the pressure on others to respond.

Mr Rob White-Cooper, chief executive, pointed to its employee benefits consultancy as evidence of a move away from pure insurance broking. The division lifted profits for the three months to March 31 by 28 per cent to £5m on turnover of £54.4m.

Mr Sax Riley, chairman, said the New York listing was a "logical step" because the group derived more than 40 per cent of its income from the US.

But some analysts were unconvinced by the valuation argument. They described the 3 per cent growth in brokerage and fees to £234.7m at constant exchange rates as "flat". A strong pound made it negative at actual rates and cut pre-tax profits by £3.4m. The shares edged up 2p to 130½p.

"I don't think it really stacks up that they're that undervalued," said one. "They're doing what they can because it's not working on the retail [broking] side. If they're not going to do a deal, they've got to do something."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Domecq	6 mths to Feb 28	2,319	(2,795)	317	(317)	19.4	(19.1)	9.44	July 25	9.44	-	23.59
Ashanti Gold $	3 mths to Mar 31	132.3	(119.1)	16.2	(25.5)	14	(28)	-	-	-	-	37.5#
BOC	6 mths to Mar 31	1,928	(1,976)	216.4	(217.4)	28.37	(27.85)	14.5	Aug 1	13.5	29	27
Chemex Intl	6 mths to Mar 31	1.03	(0.847)	0.133	(0.084)	0.33	(0.21)	-	-	-	-	0.15
Danka Business	Yr to Mar 31	1,324	(793)	29♠	(53.9♠)	9.1†	(19)	1.3	July 28	1.08	2.6	2.16
Exeter Inv Φ	6 mths to Mar 31 ⁑	2.49■	(2.3■)	0.503	(0.551)	3.7	(4.44)	1.3	July 1	-	-	-
Freepages Φ	6 mths to Mar 31	5.98	(1.27)	5.91L	(5.07L)	2.46L	(1.49L)	-	-	-	-	-
General Accident	3 mths to Mar 31	1,515□	(1,470□)	328	(109)	48	(15.2)	-	-	-	-	34.25
Hartlepool Water	Yr to Mar 31	6.14	(5.89)	2.12	(1.99)	21.9	(21.6)	5	July 1	4.5	7.8	7.1
Holmes & Marchant	6 mths to Mar 31	13.1	(12.8)	0.461	(0.656)	1.4	(1.8)	nil	-	nil	-	nil
Orbis	Yr to Mar 31	28.9	(18.7)	3.54	(1.92)	3.56	(2.64)	0.97	Oct 31	0.675	1.27	0.925
Perpetual	6 mths to Mar 31	559.4	(718.9)	27.5	(25.2)	67.88	(62.78)	30	June 9	19	-	57
Quayle Munro	Yr to June 30	-	(-)	-	(-)	-	(-)	6♦	May 27	7	-	10.5
Quintain Estates		-	(-)	-	(-)	-	(-)	2‡	May 30	-	-	-
Sedgwick	3 mths to Mar 31	244.5■	(254.9■)	43.5	(45.3)	5.5	(5.5)	-	-	-	-	7.25
Select Appointments	3 mths to Mar 31	118.4	(75.3)	6.15	(3.58)	4.4†	(3.4)	-	-	-	-	3
Slimma	6 mths to Mar 28	10.8	(8.92)	0.401	(0.303)	2.61†	(2.15)	1.45	Aug 27	1.3	-	3.25
Time Products	Yr to Jan 31	102.3	(91)	22	(16.6)	26.17	(20.24)	7.5	July 25	6.5	12	10
Warner Howard	Yr to Feb 28	-	(-)	-	(-)	-	(-)	6.75	June 3	5.85	10.25	9
Westbury	Yr to Feb 28	284.3	(193.7)	22.6	(11.5♠)	17.3	(11.1)	4.5	July 20	4.05	6.65	6.05
Xenova	3 mths to Mar 31	0.205	(0.384)	2.68L	(1.44L)	0.11L†	(0.11L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brit & American	Yr to Dec 31 ★	117	(111)	1.41	(4.2)	4.25†	(3.05)	2	June 26	1	3	1.94
Invesco English	Yr to Apr 5	-	(-)	-	(-)	-	(-)	0.7	June 10	0.6	1.2	1
Jupiter European	6 mths to Feb 28 ★	145.93	(141.3‡‡)	0.124	(0.132)	0.26	(0.28)	0.7	June 20	0.7	-	2.3
Montanaro UK	Yr to Mar 31 §	141.17	(126.17)	0.617	(0.446)	1.27†	(1.78)	0.9	July 30	1.5	0.9	1.5
Saracen Value	Yr to Mar 31	120.1	(110.8)	1.54	(0.889)	1.74	(1.44)	0.66	June 30	0.6	1.26	1.2

Earnings shown basic. Dividends shown net except #Gross. Figures in brackets are for corresponding period. $US currency. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ■Total income. ⁑Comparatives pro forma. □Premium income. ♦Second interim, makes 10p to date; final of 2p implied. ‡Second interim; makes 3p to date. ★Comparatives restated. ‡‡At August 31. §Comparatives for 15 months.

Personal pensions lift GA

By Christopher Adams

Heady growth in personal pensions sales and a sharp fall in the cost of weather-related claims helped General Accident, the Scotland-based composite insurer, to more than double first-quarter operating profits.

But Mr Bob Scott, chief executive, was downbeat yesterday about the group's prospects in a fiercely competitive UK motor insurance market this year.

Margins in personal motor insurance were unlikely to improve despite attempts to increase premium rates, he said. A sustained drought could also lead to higher subsidence losses.

Operating profits for the three months to March 31 jumped from £55m to £114m ($184.7m) following a more benign winter across the US and in Britain. Realised investment gains of £220m (£62m) left the pre-tax outcome at £328m (£109m).

The rapidly expanding life insurance and pensions arm increased profits by 45 per cent to £32m following the acquisition last year of Provident Mutual.

The strong pound, however, prevented further growth. While total premium income increased by 6 per cent in local currencies, it rose by just 3 per cent in sterling terms to £1.52bn.

GA hopes shortly to conclude the sale of a life insurance operation in the Caribbean for $50m-$100m.

Danka claims Kodak savings

By Charis Gresser

Danka Business Systems, the acquisitive photocopier group which snapped up Kodak's photocopying distribution business last year, claimed yesterday the deal could deliver $100m of annual cost savings.

Danka believes it can dramatically improve Kodak's efficiency ratios. Whereas a Kodak engineer could service 1.7 photocopying machines a day on average, Danka reckoned it could boost this to 2.25 machines by the end of this financial year. This in itself would yield up to $50m of savings, the company believes. Kodak's photocopiers tend to be more complex than Danka's, churning out up to 120 copies a minute. But Danka believes it can apply more rigorous working practises and better logistics to the Kodak business.

Analysts said the cost savings targets were realistic, representing about 10 per cent of Kodak's cost of sales. Kodak's operating margins of 2.7 per cent should match Danka's average of 9 per cent over the next two years, it said.

Danka yesterday announced pre-tax profits for the year to March 31 down 46 per cent to £29m ($47m) after £45.6m of restructuring charges. Turnover climbed to £1.32bn (£793m).

The shares rose 20p to 567½p, still below their 835p peak of a year ago, but 46 per cent higher than the 388p low following last summer's profits warning.

Zeneca to acquire Mogen for £46m

By Daniel Green

Zeneca, the UK's third largest drugs company, is to buy Mogen International, a Dutch plant biotechnology company which specialises in genetically modifying crops, for £46m ($74.5m).

Mr David Evans, director of research and development at Zeneca's agrochemicals ... tise . . . complements Zeneca's research programmes in this field, particularly in the area of fungal control."

Mogen was established in 1985 as a joint venture between Molecular Genetics of the US and MIP, the Dutch investment company. Its shares have traded on the unlisted securities market in

INFORMATION TECHNOLOGY

Electronic commerce • Louise Kehoe

A toe in uncharted waters

The problems of doing business over the internet have been highlighted by the struggles of a pioneer in the field

If you want to buy a minimum of 8,500 dozen tennis balls at a very low price from a Chinese manufacturer, or perhaps a new line of T-shirts that let the sun's rays penetrate to give wearers an all-body tan, offered by an inventor in Honolulu, the internet is the place to go.

These and many other products can be purchased via one of the dozens of trading bulletin board websites that have appeared on the Net over the past year.

No doubt some buyers and sellers find these websites useful. Yet for most businesses, purchasing supplies or selling goods via the internet is proving to be a much more complicated undertaking.

The challenges of conducting day-to-day, business-to-business commerce via the internet have been highlighted by the struggles of Industry.Net, a pioneer in the field, which built an electronic marketplace for industrial supplies – everything from machine tools to cables and pumps.

On Friday, Nets Inc, the company behind Industry.Net, filed for bankruptcy-court protection. Jim Manzi, the former chief executive of Lotus Development who now heads Nets, said he was unable to raise funds needed to continue operations.

Beyond proving that "internet" and "electronic commerce" are no longer the magic words to open the coffers of US venture-capital funds, the announcement deflated much of the hyperbole that has surrounded electronic commerce over the past year.

Industry.Net was too ambitious, industry analysts said. They gave the venture little chance of a comeback unless new funding could be found. Whatever Industry.Net's mistakes, its downfall provides a salutary lesson for companies that are rushing into electronic commerce. Despite its early lead, Industry.Net was overtaken by rapid technology developments.

While Industry.Net aimed to enable electronic commerce via a public website on the internet, much of the focus of business-to-business electronic commerce activity has now switched to private extranets: extensions of corporate intranets that reach out to suppliers and customers.

A business might, for example, allow suppliers to have access to its inventory database so that new parts could be delivered as needed. An extranet might also incorporate customer service applications, enabling a company to provide up-to-date information on orders, or provide distributors with new product and service information.

Just a year ago, electronic commerce meant simply selling goods or services over the internet. Today, the term is being used to refer to the use of internet technologies to enhance a wide range of business processes.

Unlike earlier proprietary electronic data interchange systems, businesses' internet-style networks are not limited to buy and sell functions. Rather, an extranet is an extended enterprise system that enables businesses to improve communications with a company's partners, suppliers and customers.

As companies explore the potential of electronic commerce in its broadest sense, many recognise that it involves fundamental changes in the way they operate, says Neil Isford, vice-president of network computing at International Business Machine's global services division. For most companies, he says: "This is new territory, uncharted waters."

The broad business implications of electronic commerce are only beginning to be recognised. Most of IBM's customers, for example, are in the initial stages of deploying electronic commerce, says Isford. However, as businesses forge ahead, they will need lots of help and many may simply outsource their computer systems operations, he predicts. IBM expects to garner as much as 46 per cent of its services revenues from network computing-related applications by 1999.

This may be a telling statistic for those businesses that are still coming to terms with the implications of electronic commerce. Any notion that the internet might provide a quick and easy route to new business is being quickly dispelled.

Instead, businesses must tackle the thorny problems of linking their existing internal data-processing systems to new Web services. Glen Osaka, vice-president in charge of Hewlett-Packard's electronic business development, says: "Companies have huge amounts of data about their customers, but they are not able to access it in useful ways."

Linking the old and new worlds of information technology requires the use of so-called middleware: software that enables disparate computer systems to exchange data. Security is also a concern. The more people who are allowed access to a company's databases, the more risk is involved.

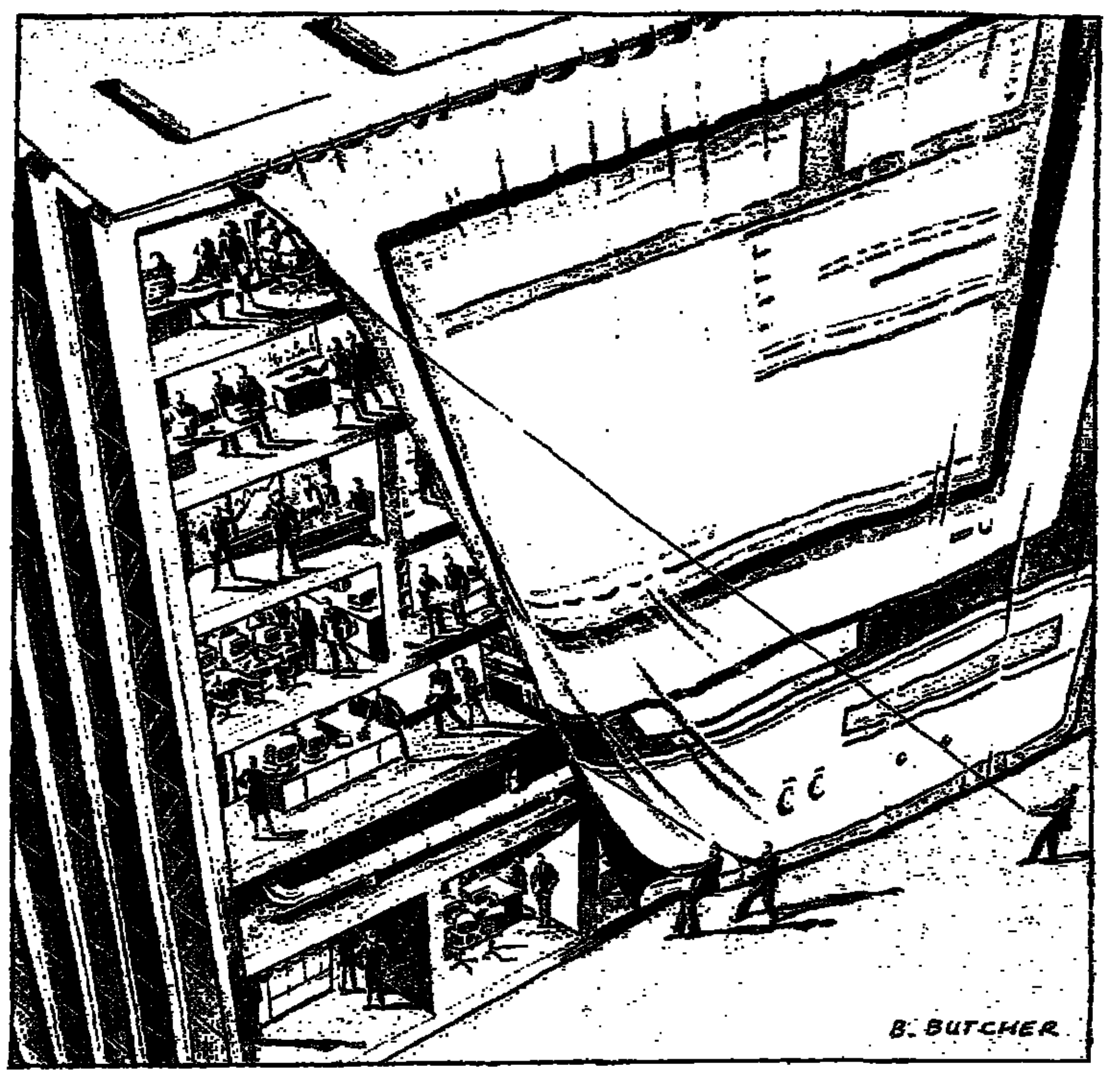
Yet the biggest challenges have little to do with technology. For example, manufacturers that rely upon distributors to sell their products are likely to run into problems if they offer the same products direct to customers via the internet or an extranet.

Similarly, companies that maintain limited customer service operations may find themselves overwhelmed if they cut out the middleman in favour of electronic sales. However, businesses that are tempted to take a wait-and-see approach in the wake of Industry.Net's decline might also take note of another electronic commerce development this week.

Having so far eschewed the internet, two of the leading book retailers in the US, Borders, and Barnes & Noble, are rushing to create websites to counter new competition from Amazon.com.

Amazon, one of the most successful retail sales sites on the Internet, is luring some of the most frequent book buyers – the customers are now splitting their purchases between traditional book retailers and the online seller.

Projections for the growth of electronic sales revenues are immense. According to various US market research groups, business-to-business electronic commerce may be between \$70bn (£43.2bn) and more than \$150bn by 2000. While these figures are highly speculative, there is a broad consensus within the computer industry that electronic commerce will be huge and that it will bring fundamental changes to the ways in which businesses use information technology. "This is not just IT, this is it," says Osaka.



Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Information on the run

For the sales executive on the road, getting a message on a pager warning that a competitor has just cut prices or that stocks of the product are low is nothing new. But new software promises automatically to track the competition through their websites and generate alerts which can be sent to pagers, mobile phones or e-mail whenever the price – or anything else the user is interested in – changes.

The initial application of Headliner, the first product from Canadian company Lanacom, is as a "push technology," similar to that introduced by PointCast last year. This delivers information to the user's computer, cutting down on internet surfing. However, while PointCast – and several recent competitors such as Marimba's Castanet – rely on publishers to create content "channels" especially for their software, Headliner can take its content from any site on the World Wide Web. This allows Headliner to claim "local content" while PointCast and others are still providing almost exclusively North American channels. Lanacom also avoids the cost of signing up publishers, and has no involvement in publishing.

Because Headliner uses simple rules to decide where on Web pages it should take its headlines from, users can easily create their own set of rules – using a "content agent" – for their favourite sites. As Tom Watson, head of Lanacom Europe, points out, no other push technology could ever be ubiquitous enough to cover amateur sites or the Manchester United fan club, let alone your local newspaper. Pre-configured content agents already cover everything from The Johannesburg Star and Die Welt to Illinois' Edgebrook Times Review, and the list continues to grow.

It is this same technology which allows Headliner's professional version, due to go on sale at the end of the summer, to provide alerts when Web sites change, which can then be sent by e-mail, pager, fax or even to the screen of a GSM mobile phone. So a message could be automatically sent to the marketing department whenever the company's share price – retrieved from one of the many quote services on the Net – falls below a pre-defined level. However, the most useful applications come when the information is being collected from computers on an intranet. These are only accessible from within the company, so detailed information on, for example, stock levels and prices, can be used to generate the warnings.

The programme is designed to help cut the perceived problem of information overload, offering a customisable interface which can put different tickers on different parts of the screen – so headlines from the Financial Times could scroll quickly across the top while the latest cricket score is relegated to a small box and share prices run along the bottom. Clicking on a headline then takes the user to the full story on the relevant website.

Lanacom, founded by Tony Davis, creator of Delrina's WinFax communications software, is entering a crowded market, into which the big internet players, Netscape and Microsoft, are just starting to push. Watson refuses to predict how many companies will take up Headliner, but claims several large corporations are testing it, including a European mobile telephone group and the Canadian Wheat Board, which has to communicate with 150,000 farmers.

James Mackintosh

Enter the baby internet browser

Here comes the baby internet browser. International Business Machines, the US computer giant, has unveiled software which allows users to access the Web from small devices such as personal digital assistants.

NetDiver, developed by IBM Japan, can display Web pages written with the latest version of the HTML design standard and can run Java applets, small applications designed for distribution over networks, written in the new programming language from Sun Microsystems.

Another Java-enabled browser, HotJava from Sun, already exists, but IBM's development of NetDiver adds to the credibility of Java as a software basis for small devices.

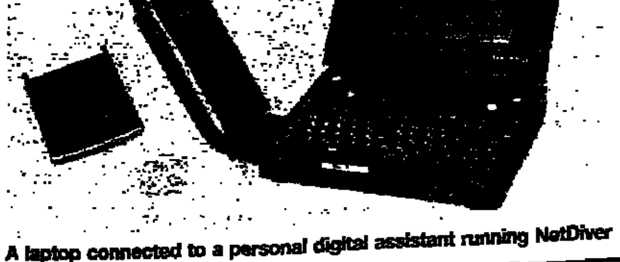
Java browsers are the most serious competitor to Windows CE, the cut-down version of Microsoft's Windows operating system, designed for smalldevices.

Windows CE, Microsoft plans, will be able to run Java applications; but it will also support Microsoft desktop applications such as Word and Excel, bringing additional capability – and bulk as well, however.

IBM has also offered a glimpse of a browser which could give a facelift to old personal computers. WebBoy, the new software, can turn PCs powered by 386 chips into internet terminals.

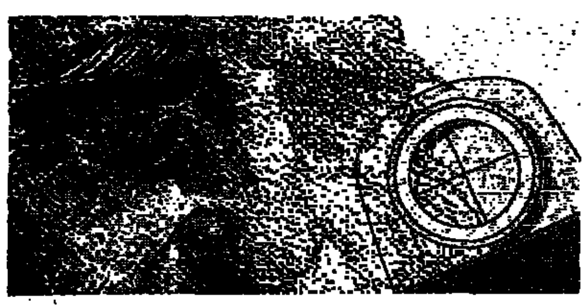
NetDiver is believed to require less than 1MB of space, much less than the latest versions of the Communicator browser from Netscape or Microsoft's Internet Explorer.

IBM, UK: tel 01256 343107; e-mail john_galvez@vnet.ibm.com



A laptop connected to a personal digital assistant running NetDiver

Watching brief



Buy now, speed up later

Do you want 56 kilobits per second now or 1,500kbps in a year? The internet speed junkie may not have to choose. Texas Instruments, the US semiconductor and hardware manufacturer, and US Robotics, the modem-maker, have come up with a solution called x2/DSL.

This technology uses digital signal processing chips and software to create a hybrid modem. It can interpret streams of data coming over the telephone line at the present peak speed of 56kbps, as well as the ADSL technology which telecoms companies are adopting to push speeds to 25 times that.

The theory is that users can confidently buy products from TI and US Robotics in the knowledge that it will last them through the next two upgrades in internet access technology.

Texas Instruments, US: tel 214 995 6611; web www.ti.com/corp/docs/alliance

Race to entertain and inform

The race between the internet and CD-Roms to deliver multimedia entertainment and information is speeding up. As manufacturers and internet service providers jump on the bandwagon of 56kbps modems, CD-Rom manufacturers are also delivering a boost to speed.

Two Japanese consumer electronics manufacturers, are both developing drives which will operate at twice the speed of their predecessors. Panasonic and Pioneer New Media have said they are making 24-speed drives; 12-speed drives had been the fastest in commercial production.

The latest drives, which take discs the size of audio CDs, can tap data at 3,600kbps. That means they maintain the edge on communications capacity over the internet.

But multimedia products delivered over the internet still have the advantage that they can be updated instantly. And technologies such as ADSL promise a further boost to internet speed.

Panasonic, US: tel 800 524 0864; web www.panasonic.com

Internet professional information

Another financial information service – which would once have required dedicated terminals and cabling – is moving to the internet.

Dow Jones, the US publisher of the Wall Street Journal and owner of Dow Jones Markets market data vendor, is offering its professional information services over the Web.

Dow Jones News Retrieval, which offers articles from 3,600 specialist publications, will be accessible by any client with internet access and a Web browser which is standard now to most machines.

Dow Jones, which in February offered its Dow Vision newspaper text service on the Web, plans later to supply real-time prices using internet technology.

While some professional information aggregators such as Maid offer their databases over the internet, others such as Lexis-Nexis from Reed Elsevier and Profile from Financial Times Information still require customers to download proprietary software.

Meanwhile, one of the new start-ups in the financial information business has come closer to offering the real-time data which is the preserve of established vendors such as Reuters, Bloomberg and Dow Jones.

Quote.com, a Bay Area start-up, says it is offering a service that uses Java technology to constantly update prices and charts supplied to customers.

Although they still target individual investors rather than the traders who are the main customers of real-time financial information, Quote.com and other new entrants represent a long-term threat to the established vendors.

Dow Jones, US: tel 212 416 3782; web http://bis.dowjones.com

IBM unveils unbreakable code plans

IBM says its cryptography researchers have developed a truly unbreakable code.

The strongest encryption technology in commercial use at present is 128 bit, which means the keys used by the sender and the recipient are each 64 characters long. A supercomputer would take years to crack a message coded in this way, but it would be possible.

IBM says that its new technique, which has more scientific than practical use at present, eliminates even this theoretical risk.

IBM, US: tel 914 765 1900; e-mail: ajtai@almaden.ibm.com

Watching Brief is compiled by Nicholas Denton, e-mail nick.denton@FT.com; fax UK (0)171 873 3196.

BT launches $1bn 10-year offering

INTERNATIONAL BONDS

By Edward Luce and Richard Lapper

British Telecommunications yesterday issued what will probably be its final large-scale dollar bond, in an offering that dwarfed the day's other issues.

The 10-year $1bn bond, priced to yield 26 basis points over 10-year Treasuries, followed on from BT's five-year $1.5bn offering last month. It was its first 10-year bond since 1989.

BT said the proceeds would help finance the impending launch of Concert – a joint venture with MCI, the US telecoms group.

Officials at Goldman Sachs and Merrill Lynch, joint lead arrangers, said the deal was targeted heavily at institutional funds. By contrast, about 30 per cent of the five-year offering was taken up by retail investors.

Bankers expected the deal to tighten in the next few weeks in spite of the traditional lack of spread movement at the 10-year end of the curve. "BT is a pretty rare name in the the corporate market," said one. "And it has strong growth prospects, so we expect to see the spread move in."

An official at Merrill Lynch said some of the paper had been sold back during the day but it was expected to be sold out by the end of the week. About 40 per cent went to the UK market with the remainder going to large continental European markets and Asia.

KANSAI ELECTRIC, Japan's second largest electric utility, captivated the Dutch market with the largest non-sovereign guilder issue by an overseas borrower. The Fl 1bn offering, underwritten by ABN Amro, was only the second Japanese guilder bond after Japan Municipal Finance's foray earlier this year.

Syndicate officials said the Kansai issue, priced to yield 21 basis points more than 10-year Dutch government bonds, was targeted mostly at Dutch institutional investors. "We also saw some buying from French investors who obviously get some yield pick-up from the French OAT curve," said an official in Amsterdam.

Kansai Electric was apparently swayed in favour of guilders by the fact that Dutch institutional funds have been unusually cash-rich since the downturn in the Treasury market at the end of April. There is also a scarcity of supply in the Dutch market, with the Dutch government having almost completed its funding requirements for 1997. "This is the perfect time to issue in guilders," said an official. "The market is as liquid as its going to get."

COMMERZBANK kept the New Zealand dollar market ticking over with a NZ$100m issue underwritten by Hambros and Commerzbank. Officials said the issue, priced to yield 32 basis points over three-year New Zealand government bonds, had been boosted by a 10 basis point rally in the New Zealand government bond market overnight. Strong demand was reported from Swiss and German investors.

Uncertainty about interest rate moves provided the backcloth for a busy day in the floating-rate sector with two issues catching the eye.

WACHOVIA BANK of North Carolina, the US bank that came to the euromarkets for the first time last year, launched a $350m five-year deal at a spread on its re-offer price of Libor flat.

ARGENTARIA GLOBAL FINANCE, the financing arm of the Spanish bank, made its debut in the D-Mark sector, meanwhile, with a five-year DM300m offering.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
British Telecommunications	1bn	7.00	99.722R	May 2007	0.325R	+26(6⅝%May07)	Goldman/Merrill Lynch
BMC, 1997-1, Class A(a)★‡	743.198	(a1)	(a1)	Oct 2003	-	-	Merrill Lynch
Toyota Credit Canada	400	6.625	99.623R	Jun 2002	0.25R	+11(6⅝%Apr02)	Merrill Lynch Intl
Wachovia Bk of N Carolina‡	350	(b)	99.73R	May 2002	0.175R	-	Merrill Lynch Intl
Nestlé Holdings(c)§	300	3.00	100.00	Jun 2002	2.50	-	CSFB
D-MARKS							
Argentaria Global Finance‡	300	(d)	99.952R	May 2002	0.15R	-	Paribas
GMAC Canada(i)	250	5.00	100.16R	Jun 2002	0.30R	-	Dresdner KB
YEN							
Mitsubishi Elec Fin America★	10bn	1.50	101.18	Jun 1999	0.20	-	Daiwa Europe
Marubeni Intl Finance★	10bn	1.50	101.14	May 1999	0.20	-	Daiwa Europe
FRENCH FRANCS							
Export-Import Bk of Japan	2bn	5.75	99.721R	Jun 2008	0.325R	+12(i)	Banque IBJ/Paribas
ITALIAN LIRE							
Bayerische Hypo(e,l)	200bn	7.10	101.635	Jun 2002	1.875	-	BNL/Cariplo/IMI Lux
GUILDERS							
Kansai Electric Power	1bn	5.75	99.532R	May 2007	0.325R	+21(5¾%Feb07)	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
Argenta Nederland	2bn	5.10	100.00	Jun 2002	1.75	-	BCEE
NEW ZEALAND DOLLARS							
Commerzbank	100	7.75	101.075	Jun 2000	1.50	-	Hambros Bank
ESCUDOS							
Danone Finance(f)‡	7.5bn	(f1)	100.00	Jun 2002	0.25	-	BSN Portugal
RAND							
EBRD	7bn	zero	3.15R	Jun 2027	0.10R	-	Toronto Dominion Bank
ZLOTYS							
European Inv'ment Bank(g)	100	19.50	100.75	Jun 1999	1.125	-	Morgan Stanley Bank
ARGENTINE PESOS							
City of Buenos Aires(h)	150	10.50#	99.854R	May 2004	1.00R	+395(i)	Chase Manhattan Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Beneficial Mortgage Corp. Legal maturity: 28/5/37. Av life: 2.21 yrs. a1) Priced later: 1-mth Libor +12bp area. a2) Class M: $32.313m, Oct 03, av life: 4.70 yrs, 1-mth Libor +25-27bp. a3) Class B: $32.313m, Oct 03, av life: 4.69 yrs, 1-mth Libor +35-37bp. b) 3-mth Libor –6¼bp. c) Conv price: SFr2,277.78. FX: 1.435SFr/$. Callable from 17/6/00 at par. d) 3-mth Libor +6¼bp. e) Callable on 17/6/99 at par. f) Callable on 18/6/99 at par. f1) 6-mth Lisbor +30bp to 16/6/99, then 6¼%. g) All payments in DM. h) Spread relates to US Treasuries. i) Over interpolated yield. l) Long 1st coupon.

ICI pays big premium for Unilever loan

By Edward Luce in London

Imperial Chemical Industries is paying an unusually high interest rate premium on the $8.5bn loan it has arranged to finance its acquisition last week of Unilever's chemicals business. The deal will be Europe's largest syndicated loan.

ICI will initially service the debt at a rate of 55 basis points – 0.55 percentage points – over Libor, the London interbank offered rate. This is more than four times higher than the spread ICI negotiated on a $2.1bn syndicated loan in January.

Bankers in London said that ICI had agreed to pay an unusually high premium for the loan to reflect the unprecedented size of the deal and the risks attached to ICI's ambitious restructuring plans.

"We are surprised and delighted at the margins on this loan," said a banker not involved in the deal yesterday. "This is the first deal in a long time where we've seen spreads rise rather than tighten."

ICI will pay more than twice the spread negotiated by several east European banks on recent deals in Europe's syndicated loan market. It is at least three times higher than the spread which British Telecommunications and MCI are reported to have negotiated on a loan to fund the launch of their Concert joint venture.

However, under the deal, which was negotiated with Goldman Sachs, Midland Bank and SBC Warburg, ICI's repayment costs will fall to 40 basis points after it has disposed of various non-core assets. According to this "ratchet" formula, ICI must cut its interest rate cover – interest costs as a proportion of operating profits – from 25 per cent to 30 per cent.

The deal, which will eventually involve a syndicate of more than 40 banks, also allows for the sale of the ICI loan in the secondary debt markets.

"This is a very unusual deal which reflects the fact that ICI is about to undergo a transformation," one banker in London said. "The risks are higher than on a straight syndicated loan and the spreads reflect that."

Sir Ronald Hampel, chairman of ICI, said last week that the group would probably dispose of its 62 per cent stake in ICI Australia, its Tioxide pigments operations, and perhaps its fertilisers and petrochemicals business. Analysts say ICI needs to make disposals worth £5.5bn ($8.9bn) to finance the acquisition.

The cost of the syndicated loan reflected ICI's unusually steep gearing ratio of more than 1,000 per cent and the large size of the deal, analysts said. The "transferability" clause, which allows the creditors to sell the debt on the secondary market, is also considered innovative.

"Normally the borrower must be consulted before debt can be sold off to another bank," one analyst said. "But this deal allows the syndicate to securitise the loan without consulting ICI." The clause is expected to help boost the creation of a secondary debt market in syndicated loans.

Prospects for Emu lift Spanish bono prices

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

European and US bond markets were sluggish yesterday after a spirited start to the week.

SPANISH BONOS were one of the few markets that ended higher as investors reflected on Spain's improved chances of joining the first wave of European monetary union next year. Expectations that April inflation data, published today, would be low also helped market sentiment.

The 10-year yield spread of bonos over bunds tightened another 3 basis points to a record 83 points, down from 107 points at the end of last year. The bono future settled at 115.77, up 0.05 on the day.

FRENCH OATS ended close to intraday highs. There was little reaction to April inflation, which rose 0.1 per cent, in line with expectations, but markets again took heart from an opinion poll, which showed the French centre-right heading for victory in the polls later this month.

The June notional future settled at 130.38, having touched 130.40.

UK GILTS saw some action at the short end as the Bank of England inflation report hinted at the need for another interest rate rise, possibly after Labour's mini-budget expected in early June.

The June long gilt seesawed during the day, settling 1/32 lower at 114 14/32.

Volumes have picked up significantly since the election. Mr Andrew Roberts, gilts analysts at UBS, said there had been 170,000 daily contracts on the June gilt future the day before the election, but that 230,000 contracts traded yesterday.

Conflicting economic data kept US TREASURIES flat in mid-session as the market digested recent gains. The benchmark 30-year bond was unchanged at 96 21/32 with the yield at 6.885 per cent.

However, prices had fluctuated during the morning. Monthly data suggesting retail sales had fallen initially caused some buying, although the figures were in line with expectations.

Prices then fell after a survey was published showing higher than expected growth in the south-eastern US.

The uncertainty spread across the market: the two-year bond was unchanged at 110 5/16, yielding 6.202 per cent, while the 10-year bond lost 1/32 to 99 23/32, lifting the yield slightly to 6.655 per cent.

Mr Kevin Logan, chief investment strategist at Dresdner Kleinwort Benson, said the regional survey, normally less important than other economic data, had helped depress sentiment in a jittery market.

He expected weaker demand in the run-up to next week's meeting of the Federal Reserve's Open Markets Committee in spite of economic data which are expected to help dampen inflation fears. "People are apprehensive about buying bonds at these levels right in front of the meeting."

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WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.6811	–0.250	7.70	7.71	8.10
Austria		5.750	04/07	100.3000	–0.060	5.71	5.74	5.96
Belgium		6.250	03/07	103.0500	–0.180	5.83	5.86	6.18
Canada *		7.000	12/06	103.1300	–0.170	6.55	6.49	6.81
Denmark		8.000	03/06	111.2000	+0.050	6.30	6.42	6.81
France	BTAN	4.750	03/02	100.4214	–	4.65	4.72	4.93
	OAT	5.500	04/07	99.3800	+0.040	5.58	5.68	5.95
Germany Bund		6.000	01/07	102.0800	–0.100	5.71	5.72	6.03
Ireland		8.000	08/06	109.6100	–0.040	6.57	6.67	6.96
Italy		6.750	02/07	96.8700	–0.080	7.20†	7.31	7.85
Japan	No 145	5.500	03/02	116.6234	+0.200	1.78	1.71	1.46
	No 182	3.000	09/05	103.4542	+0.640	2.50	2.42	2.18
Netherlands		5.750	02/07	101.0000	–0.220	5.61	5.63	5.92
Portugal		9.500	02/06	119.8500	+0.200	6.44	6.61	7.08
Spain		7.350	03/07	105.3600	–0.140	6.55	6.71	7.22
Sweden		8.000	08/07	107.0944	–	7.00	7.14	7.47
UK Gilts		7.000	06/02	100-17	–7/32	6.87	6.93	7.40
		7.250	12/07	101-30	–8/32	6.99	7.09	7.70
		9.000	10/08	115-03	–6/32	7.05	7.16	7.78
US Treasury *		6.250	02/07	97-05	–5/32	6.65	6.67	6.87
		6.625	02/27	96-22	–8/32	6.89	6.89	7.08
ECU (French Govt)		7.000	04/06	107.3600	+0.010	5.91	6.02	6.36

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.22
Prime rate	8½	Two month	-	Three year	6.37
Broker loan rate	7⅛	Three month	5.21	Five year	6.50
Fed.funds	5⅞	Six month	5.53	10-year	6.67
Fed.funds at intervention	-	One year	5.82	30-year	6.89

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	130.26	130.38	+0.08	130.56	130.20	131,164	160,503
Sep	128.72	128.82	+0.08	128.84	128.66	1,649	11,682
Dec	98.14	98.24	+0.08	98.14	98.14	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
127	3.39	2.12	2.50	0.01	0.31	0.69
128	2.42	1.35	1.81	0.05	0.53	1.00
129	1.51	0.78	1.22	0.13	0.94	1.40
130	0.72	0.34	0.74	0.34	-	-
131	0.20	0.12	0.43	0.82	-	-

Est. vol. total, Calls 22,682 Puts 35,036. Previous day's open int., Calls 112,536 Puts 163,993.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.83	102.27	+0.50	102.32	101.79	150857	264453
Sep	100.86	101.29	+0.50	101.33	100.86	5827	26487

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10200	0.52	0.41	0.65	0.80	0.25	1.12	1.36	1.51
10250	0.26	0.26	0.47	0.61	0.49	1.47	1.66	1.82
10300	0.11	0.16	0.32	0.46	0.84	1.87	2.03	2.17

Est. vol. total, Calls 16520 Puts 19128. Previous day's open int., Calls 216156 Puts 255383

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	129.32	129.72	+0.42	129.81	128.87	56742	113865
Sep	129.55	130.01	+0.43	130.00	129.20	165	6946

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12950	0.71	2.38	0.49	1.87
13000	0.46	2.09	0.74	2.08
13050	0.26	1.78	1.04	2.27

Est. vol. total, Calls 3850 Puts 6336. Previous day's open int., Calls 114031 Puts 121569

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.64	115.76	+0.04	116.00	115.60	93,722	89,820
Sep	114.89	115.01	+0.08	115.14	114.89	1,153	2,101

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114-10	114-14	+0-07	114-16	113-29	74989	225484
Sep	114-16	114-24	+0-07	114-24	114-07	1753	5568

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
114	0-52	1-42	2-03	2-22	0-24	0-58	1-19	1-38
115	0-23	1-09	1-34	1-51	0-59	1-25	1-50	2-03
116	0-08	0-43	1-08	1-20	1-44	1-59	2-24	2-36

Est. vol. total, Calls 6130 Puts 812. Previous day's open int., Calls 81607 Puts 43156

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.20	96.00	+0.06	96.20	96.00	2,596	6,664
Sep	-	95.62	+0.06	-	-	-	-

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110-08	110-08	-0-04	110-22	110-04	217,733	501,503
Sep	109-27	109-29	-0-03	110-09	109-25	5,496	64,796
Dec	-	109-19	-	-	-	318	10,000

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	123.55	-	-	123.42	123.22	3484	n/a
Sep	122.18	-	-	122.04	121.89	1964	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue May 13	Day's change %	Mon May 12	Accrued interest	xd adj. ytd		Low coupon yield May 13	May 12	Yr. ago	Medium coupon yield May 13	May 12	Yr. ago	High coupon yield May 13	May 12	Yr. ago
1 Up to 5 years (19)	120.02	–0.12	120.40	1.82	4.81	5 yrs	6.89	6.83	7.47	6.95	6.89	7.51	7.01	6.94	7.61
2 5-15 years (21)	154.69	–0.18	154.98	3.50	3.30	15 yrs	7.05	7.03	8.17	7.08	7.07	8.19	7.08	7.19	8.28
3 Over 15 years (6)	181.34	–0.02	181.39	5.84	3.16	20 yrs	7.10	7.09	8.24	7.09	7.09	8.26	7.08	7.22	8.32
4 Irredeemables (5)	211.28	0.09	211.08	5.19	2.37	Irred.†	7.24	7.26	8.30						
5 All stocks (51)	148.16	–0.13	148.44	3.29	3.95										

Index-linked	Tue May 13	Day's change %	Mon May 12	Accrued interest	xd adj. ytd		Inflation 5% May 13	May 12	Yr. ago	Inflation 10% May 13	May 12	Yr. ago
6 Up to 5 years (2)	205.14	0.02	205.09	0.69	3.03	Up to 5 yrs	3.26	3.26	2.65	2.66	2.66	1.33
7 Over 5 years (10)	197.73	0.05	197.64	1.07	2.88	Over 5 yrs	3.54	3.54	3.60	3.35	3.35	3.60
8 All stocks (12)	197.44	-0.05	197.35	1.02	2.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 13	May 12	May 9	May 8	May 7	Yr ago	High*	Low*
Govt. Secs. (UK)	97.23	96.57	97.20	96.59	96.64	92.48	97.23	93.31
Fixed Interest	121.02	121.24	119.67	119.29	119.19	111.92	121.24	115.32

Gilt Edged Activity Indices

	May 12	May 9	May 8	May 7	May 6
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities High since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 13

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98	98¼		6.92
ABN Amro Bank 7¼ 05	1000	100⅛	100⅜	-⅛	7.36
African Dev Bk 7⅜ 23	500	98½	98⅞	-¼	7.51
Alberta Province 7⅜ 98	1000	101⅝	101⅞		6.39
Argentina 11⅜ 17	2000	108⅝	109¼	+⅛	10.60
Asian Dev Bank 6¼ 05	750	96¼	96⅜		6.96
Austria 8½ 00	400	104½	104¾		6.60
Baden-Wuertt L-Fin 8¼ 00	1000	103½	103¾	-⅛	6.65
Bancomext 7¼ 04	1000	92⅜	92⅞	+½	8.96
Bank Ned Gemeenten 7 99	1000	101	101¼	+⅛	6.49
Bayer Vereinsbk 8⅛ 00	500	103½	103¾		6.65
Belgium 5½ 03	1000	93½	93¾	-⅛	6.76
British Columbia 7¾ 02	500	103⅞	104	+⅛	6.82
British Gas 0 21	1500	15½	15¾	-⅛	7.91
Canada 6⅜ 05	1500	97	97⅛	-⅛	6.98
Cheung Kong Fin 5½ 98	500	98⅛	98⅜	+⅛	6.94
China 6½ 04	1000	95⅝	96	-¼	7.46
Credit Foncier 9½ 99	300	104⅞	105⅛		6.49
East Japan Railway 6⅝ 04	600	97⅜	97⅝		7.12
EIB 6 04	500	96⅜	96⅝		6.67
Ex-Im Bank Japan 8 02	500	105	105¼		6.79
Export Dev Corp 9½ 98	150	103⅜	103½		6.37
Exxon Capital 0 04	1800	61¼	61⅝	+⅛	6.75
Fed Home Loan 7⅛ 99	1500	101½	101⅝		6.47
Federal Natl Mort 7.40 04	1500	103¼	103⅜		6.93
Finland 7⅞ 04	1500	105¾	106	-⅛	6.97
Ford Motor Credit 6½ 02	1250	98¼	98⅜		7.05
General Mills 0 13	1000	26	26¼		8.64
INI Finance 5¼ 98	650	98⅜	98½	+⅛	6.34
Inter-Amer Dev 6⅛ 06	1000	95⅜	95½		6.95
Inter-Amer Dev 7½ 05	500	103	103¼	-⅛	6.99
Intl Finance 5¼ 99	500	98⅜	98⅝		6.30
Italy 6 03	2000	96⅜	96⅝		6.82
Italy 6⅞ 23	3500	92½	92⅞	-⅛	7.67
Japan Dev Bk 8⅜ 01	500	105⅜	105½		6.69
Korea Elec Power 6⅜ 03	1350	95⅛	95½		7.46
Matsushita Elec 7¼ 02	1000	102	102¼		6.80
Mexico 9⅞ 07	1000	104⅝	105⅛		9.35
Minfin Russia 9¼ 01	1000	98⅜	98⅝	-⅛	9.93
Ontario 7⅜ 03	3000	102½	102⅝		6.95
Ontario 7¾ 02	2000	104⅛	104¼		6.89
Oster Kontrollbank 8½ 01	200	105¾	105⅞		6.73
Portugal 5¾ 03	1000	95	95¼		6.84
Quebec Hydro 9¾ 98	150	104	104⅛		6.56
SAS 10 99	200	105⅛	105⅜	-⅛	6.83
SNCF 9½ 98	150	103⅜	103½		6.41
Spain 6½ 99	1500	100¼	100½		6.36
Sweden 6½ 03	2000	99⅜	99½	-⅛	6.74
Tennessee Valley 6 00	1000	98⅜	98½		6.64
Tennessee Valley 6⅜ 05	2000	97	97⅛	-⅛	6.98
Tokyo Elec Power 6⅛ 03	1000	97⅛	97¼	-⅛	6.70
United Kingdom 6¾ 01	2000	101⅛	101¼	-⅛	6.43
United Kingdom 7¼ 02	3000	103⅜	103½	-¼	6.50
Walt Disney 6¾ 01	1300	98¾	98⅞	+⅛	6.86
World Bank 6⅜ 05	1500	97⅜	97½		6.91
World Bank 8⅜ 99	1500	105	105¼		6.18
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	98¾	99	-⅛	6.60
Baden-Wuertt L-Finance 6 99	2000	104⅛	104½		3.68
BAYERISCHE LB GIRO 6 06	1500	101¾	101⅞	-⅛	5.74
Credit Foncier 7¼ 03	2000	108⅝	109	-⅛	5.46
Depfa Finance 6⅜ 03	1500	105⅜	105⅝		5.35
Deutsche Bk Fin 7½ 03	2000	110¼	110⅜	-⅛	5.37
Deutsche Finance 5¾ 04	2500	102½	102⅝		5.29
EEC 6½ 00	2800	106½	106⅝	+⅛	4.01
EIB 6¼ 00	1500	105⅞	106	+⅛	4.06
Finland 7½ 00	3000	108⅞	109		3.87
Helaba Intl 5¾ 01	1500	104⅜	104½	-⅛	4.65
KFW Intl Finance 6¼ 03	2250	105⅛	105⅜		5.24
LKB Baden-Wuertt 6½ 08	2250	104⅜	104½	-⅛	5.85
Ontario 6¼ 04	1500	104⅜	104½		5.44
Spain 7¼ 03	4000	110½	110⅝	-¼	5.11
Volkswagen Intl Fin 7 03	1000	108⅛	108⅜		5.39
World Bank 5⅞ 03	3000	104¼	104½		5.08
World Bank 6⅛ 02	3000	105⅝	105¾	-⅛	4.90
World Bank 7⅛ 05	3000	110⅛	110¼		5.51
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	42⅝	43		4.66
Austria 4½ 00	1000	105⅞	106¼		2.27
Denmark 4¼ 99	1000	104¾	105	-⅛	2.18
EIB 3¾ 99	1000	103⅛	103¼		1.87
EIB 6¾ 04	300	115¾	116¼		4.23
Finland 7¼ 99	300	111⅜	111⅝	+⅛	2.32
Helaba Finance 3⅜ 00	1000	104⅞	105⅛		2.39
Iceland 7⅜ 00	100	115⅛			2.65
Inter Amer Dev 4¾ 03	600	109⅛	109¼	+¼	3.12
Ontario 6¼ 03	400	115¾	117	+¼	3.18
Quebec Hydro 5 08	100	103½	105½		4.58
SNCF 7 04	450	121½	122½		3.83
Sweden 4¾ 03	500	108¾	109¼		3.18
World Bank 0 21	700	33	33⅜	+¼	4.62
World Bank 7 01	600	115⅝	115¾	+⅛	2.63
YEN STRAIGHTS					
Belgium 5 99	75000	109¼	109½	+⅛	1.34
Credit Foncier 4¾ 02	75000	112⅝	112⅞	+1	2.17
EIB 6⅝ 00	100000	114½	114¾	+⅛	1.38
Ex-Im Bank Japan 4⅜ 03	105000	112⅜	112⅝	+⅜	2.27
Fed Nat Mort 2 99	100000	101¾	101⅞	+⅛	1.32
Inter Amer Dev 7¼ 00	30000	116⅞	117¼	+⅛	1.47
Italy 3½ 01	300000	108⅝	108¾	+¼	1.83
Italy 5 04	200000	116⅜	116⅝	+⅛	2.59
Japan Dev Bk 5 99	100000	108¾	108⅞	+⅛	1.25
Japan Dev Bk 6½ 01	120000	119⅝	119⅞	+⅛	1.77
SNCF 6¾ 00	30000	114⅝	114⅞	+⅛	1.38
Spain 5¾ 02	125000	117¼	117½	+¼	1.99
World Bank 5¼ 02	250000	115⅝	115¾	+¼	1.87
OTHER STRAIGHTS					
EBRD 14¾ 98 R	250	99⅜	100⅛	-⅛	15.06
World Bank 15 99 R	500	101	101¾		14.19
Austria 6½ 99 Fl	1000	105	105⅛		3.83
PTT Nederland 6½ 06 Fl	1300	103⅞	104		5.94
Bell Canada 10⅝ 99 C$	150	110½	110⅞		5.36
British Columbia 7¾ 03 C$	1250	107⅛	107⅜	+⅛	6.42
Canada Mtg & Hsg 8¾ 99 C$	1000	106⅜	106⅝	+⅛	5.14
Elec de France 9¾ 99 C$	275	109½	109¾	+⅛	5.27
KfW Intl Fin 10 01 C$	400	113½	113⅞		5.93
Nippon Tel Tel 10¼ 99 C$	200	110⅞	111		5.39
Ontario 8 03 C$	1500	108⅜	108⅝	+⅛	6.35
Ontario Hydro 8 02 C$	2000	112¼	112½		6.27
Ontario Hydro 10⅞ 99 C$	500	110¼	110½		5.00
Oster Kontrollbank 10¼ 99 C$	150	110¼	110½		5.19
Quebec Hydro 7 04 C$	1000	102⅛	102⅜		6.73
Quebec Prov 10½ 98 C$	200	108⅛	108½		4.88
Council Europe 9 01 Ecu	1100	115¼	115⅝	+⅛	5.11
Credit Foncier 8⅜ 04 Ecu	1000	113	113¼	+½	6.00
Denmark 8½ 02 Ecu	1000	114¼	114½	+⅛	5.16
EC 6 00 Ecu	1100	104¼	104⅝	+⅛	4.64
EIB 10 01 Ecu	1150	117⅜	117⅝	+⅛	4.75
Finland 8½ 07 Ecu	750	116⅝	117	+⅛	6.17
Italy 9¼ 11 Ecu	2500	124¼	124¾	+⅛	6.58
Italy 10¾ 00 Ecu	1000	116⅛	116⅝		4.72
United Kingdom 9⅛ 01 Ecu	2750	114⅝	114⅞	+⅛	4.79
AIDC 10 99 A$	100	105¾	106¼	-¼	6.98
Comm Bk Australia 13¾ 99 A$	100	113¾	114¼	-⅛	7.15
EIB 7¾ 99 A$	350	103⅜	103⅝		6.34
Nat Australia Bank 6¼ 99 A$	250	99½	100	+⅛	6.53
NSW Treasury Zero 0 20 A$	1000	15⅜	15½		8.14
R & I Bank 7¼ 03 A$	125	100¾	101⅛	+⅛	7.59
State Bk NSW 9 02 A$	300	105⅞	106¼	-⅛	7.60
Sth Aust Govt Fin 9 02 A$	150	105¾	106⅛	-⅛	7.64
Western Aust Treas 7⅞ 98 A$	100	101¼	101⅜		6.31
Abbey Natl Treasury 8 03 £	1000	102¾	102⅞	-⅛	7.40
British Land 8⅞ 23 £	150	105⅝	106⅛		8.42
Denmark 6¾ 98 £	800	99¾	99⅞		6.92
Depfa Finance 7⅛ 03 £	500	98¼	98⅜	-¼	7.46
EIB 8 03 £	1000	104	104⅛		7.16
Finland 7 00 £	500	100	100¼	-⅛	6.98
Glaxo Wellcome 8¾ 05 £	500	107½	107⅝	-⅛	7.52
HSBC Holdings 11.69 02 £	153	116¾	117	-⅛	7.86
Italy 10½ 14 £	400	127⅛	127⅜	+⅛	7.80
Japan Dev Bk 7 00 £	200	99⅞	100⅛	-⅛	7.02
Land Secs 9½ 07 £	200	112⅜	112⅝		7.69
Ontario 11⅛ 01 £	100	111⅞	112⅛	-⅛	7.37
Powergen 8⅞ 03 £	250	105½	105¾	-¼	7.67
Severn Trent 11½ 99 £	150	108⅛	108⅜	-⅛	7.28
Tokyo Elec Power 11 01 £	150	112⅜	112⅝	-⅛	7.36
TCNZ Fin 9¼ 02 NZ$	75	105½	106¼	+⅜	7.90
World Bank 9 99 NZ$	250	102½	103	+¼	7.67
Credit Local 6 01 FFr	8000	105	105¼	+⅛	4.73
Denmark 5½ 99 FFr	7000	103⅝	103¾	+⅛	3.91
Elec de France 8¾ 22 FFr	3000	126⅞	127¼	+¼	6.54

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.92	99.98	5.5000
Argentaria Global Fin 0 01	700	99.70	99.80	5.8164
Cades -1/16 01	2000	99.60	99.66	5.3750
Canada -¼ 99	2000	99.76	99.82	5.5625
CCCE 0 06 Ecu	200	99.73	100.00	4.1328
Commerzbk O/S Fin -⅛ 98	750	99.82	99.89	5.3750
Credit Lyonnais 1/16 00	300	99.26	99.61	5.7500
Dresdner Finance 1/16 98 DM	1000	99.97	100.05	3.2500
Fed Nat Mort -3/16 00	1000	99.77	99.85	5.3672
Finland -⅛ 99	1500	99.98	100.08	5.6875
Halifax BS 0 99	500	100.04	100.10	5.5625
IMI Bank Intl ¼ 99	500	100.32	100.42	5.7500
Italy 1/16 99	1500	100.36	100.42	5.9023
Italy ⅛ 98 Ecu	1500	100.17	100.25	4.3125
LKB Baden-Wuert Fin -⅛ 98	1000	99.92	99.98	5.8750
Lloyds Bank Perp S 0.10	600	89.63	90.38	5.6938
Malaysia 1/16 05	650	99.78	99.95	6.0625
Nova Scotia 3/16 99	500	99.98	100.06	6.0312
Ontario 0 99	2000	100.10	100.16	5.4961
Portugal 1/16 99 DM	2500	100.26	100.32	3.3086
Quebec Hydro 0 99	500	99.81	99.90	5.8164
Renfe 0 98	500	99.85	100.00	5.4375
Spain -1/16 02 DM	2000	100.06	100.12	3.1875
State Bk Victoria 0.05 99	125	99.95	100.10	5.7219
Sweden -⅛ 01	2000	100.00	100.05	5.7188
United Kingdom -⅛ 01	2000	99.88	99.91	5.5625

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	98⅛	99½	+32.74
Deutsche Finance 0 17	1300	320.468	44⅜	44½	+13.52
Fuji Intl Finance ¼ 02 Y	210000	2002	96	96⅞	+28.13
Gold Kalgoorlie 7½ 00	65	1.9288	107	108½	+24.49
Grand Metropolitan 6½ 00	710	4.37	136½	137½	-2.55
Hong Kong Land 4 01	410	31.05	89¾	90⅝	-9.87
Land Secs 6¾ 02 £	84	6.72	125½	128½	-3.17
Lasmo 7¾ 05 £	90	6.64	98⅞	99⅞	
MBL Intl Fin 3 02	2000	22	105½	106⅜	-0.71
Mitsui Bank 2⅝ 03	200	2332.6	81	83	
Pennzoil 4¾ 03	600	56.6097	125	126	+1.05
Sandoz Capital 2 02	750	1280.58	131½	132¼	+34.92
Sappi BVI Finance 7½ 02	250	76	92¾	93¾	
Sapporo 1⅜ 00 Y	40000	1059.4	100¾	101¾	+16.40
Sumitomo Bank 3⅛ 04	300	3609.9	92¼	93¼	+96.58
Sun Alliance 7¼ 08 £	155	3.9	133⅞	135⅛	+42.26
Transatlantic Hldgs 5½ 09 £	250	5.05	97⅜	98¼	+2.98

- No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.99	6.32	100⅛	-1/32	101⅛	100⅛
Treas 8¾pc 1997‡‡		8.69	6.20	100¾	-1/32	107½	100½
Exch 15pc 1997		14.45	6.29	103½	-⅛	114⅞	102½
Exch 9¾pc 1998		9.54	6.41	102⅛	-1/16	108½	100⅛
Treas 7¼pc 1998‡‡		7.21	6.53	100⅝	-1/16	109½	100¼
Treas 15½pc '98‡‡		13.80	6.66	111½	-1/16	122½	111½
Exch 12pc 1998		11.17	6.70	107½xd	-1/16	114⅛	107⅛
Treas 9½pc 1999‡‡		9.11	6.72	104⅛	-⅛	108¼	97½
Treas Flg Rate 1999‡‡		-	-	100⅛	----	100⅛	99⅞
Exch 12¼pc 1999		11.19	6.77	109⅛	-¼	116⅛	109⅛
Treas 10½pc 1999		9.82	6.68	106⅞xd	-⅛	111½	106½
Treas 6pc 1999‡‡		6.09	6.75	98½	-⅛	99¼	96⅛
Conversion 10¼pc 1999		9.51	6.83	107¾xd	-¼	118½	106⅞
Conv 9pc 2000‡‡		8.54	6.85	105½	-1/16	108⅛	103½
Treas 13pc 2000		11.11	6.90	117⅛	-¼	123½	118⅛
Treas 14pc 1998-1		13.06	6.58	107⅛xd	-⅛	116½	107⅛
Treas 8pc 2000‡‡		7.73	6.86	103½	-⅛	104½	101½
Treas Flg Rate 2001		5.97	-	100⅛	----	100⅞	99⅞
Treas 10pc 2001		9.09	6.92	110⅛	-¼	113⅛	98½
Treas 7pc 2001‡‡		6.97	6.87	100½	-⅛	101⅛	97
Five to Fifteen Years							
Treas 7pc 2002‡‡		6.97	6.87	100½	-¼	101⅞	97½
Treas 9¾pc 2002		8.70	6.98	112⅛	-¼	122¼	109¼
Treas 8pc 2003‡‡		7.61	6.95	105⅛	-¼	105½	100⅛
Treas 10pc 2003		8.70	7.01	115	-¼	116⅛	111⅛
Treas 11½pc 2001-4		9.99	6.94	115⅛	-¼	121¾	113⅝
Funding 3½pc 1999-4		4.03	5.74	86½	----	87⅛	79⅞
Conversion 9½pc 2004		8.31	6.98	114⅛	-⅛	114½	108½
Treas 6¾pc 2004‡‡		6.83	6.95	98½	-⅛	99⅛	91½
Conv 9½pc 2005		8.27	7.01	114⅞	-⅛	122½	108½
Treas 12½pc 2003-5		9.75	7.02	128⅛xd	-⅜	130½	124⅞
Treas 8½pc 2005‡‡		7.76	6.99	109⅛	-¼	109⅞	102½
Treas 7½pc 2006‡‡		7.25	7.00	103½	-⅜	103½	95⅛
Treas 7¾pc 2006‡‡		7.39	7.02	104½	-⅛	107¼	96½
Treas 8pc 2002-6‡‡		7.73	7.12	103½	-⅛	104⅛	98½
Treas 11¾pc 2003-7		9.65	7.03	121½	-⅛	124⅛	115¾
Treas 8½pc 2007‡‡		7.69	7.02	110⅝	-⅜	111⅛	101⅞
Treas 7 1/4pc 2007‡‡		7.11	6.98	101½	-¼	102½	95⅝
Treas 9pc 2008‡‡		7.82	7.05	115⅛	-⅛	115½	103½
Treas 8pc 2009		7.44	7.07	107½	-⅛	107½	97⅝
Treas 6 1/4pc 2010‡‡		6.75	7.10	92½	-⅛	98⅝	82½
Conv 9pc Ln 2011‡‡		7.78	7.09	116⅞	-¼	117⅞	105½
Over Fifteen Years							
Treas 8pc 2012‡‡		7.66	7.10	117⅛	-¼	118	105⅞
Treas 5½pc 2008-12‡‡		6.39	6.85	86⅞	----	87½	78½
Treas 8pc 2013‡‡		7.37	7.10	108½	-¼	109⅛	96¼
Treas 7¾pc 2012-15‡‡		7.31	7.12	105½	+⅛	105½	93⅞
Treas 8pc 2015‡‡		7.31	7.07	109⅛	-⅛	109½	96⅛
Treas 8¾pc 2017‡‡		7.46	7.12	117⅛	-⅛	117⅝	102½
Treas 8pc 2021‡‡		7.23	7.08	110½	-⅛	111⅛	95½
Undated							
Consols 4pc		7.34	-	54½	+⅛	54½	48⅞
War Loan 3½pc‡‡		7.20	-	48⅝	-⅛	48⅛	41½
Conv 3½pc '61 Aft		5.33	-	65½	+⅛	65½	58½
Treas 3pc '66 Aft		7.55	-	39½	----	39½	34⅞
Consols 2½pc		7.14	-	35⅛	+⅛	35⅛	29½
Treas. 2½pc		7.40	-	33½	-⅛	34⅛	29⅞

	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)							
4⅝pc '98‡‡	(135.6)	-	2.19	114⅞	----	114⅞	112⅝
2½pc '01	(78.3)	2.64	3.25	187½	+⅛	187½	178⅛
2½pc '03	(78.8)	2.94	3.37	183¼xd	+¼	184⅞	173⅞
4⅛pc '04‡‡	(135.6)	3.00	3.39	118½	+⅛	120⅛	113½
2pc '06	(69.5)	3.15	3.45	193⅛	+⅛	195½	181¼
2½pc '09	(78.8)	3.24	3.48	173⅞xd	+⅛	176⅛	162½
2½pc '11	(74.6)	3.30	3.51	180⅛	+⅛	183⅛	167½
2½pc '13	(89.2)	3.35	3.53	148¼	+⅛	150½	137⅝
2½pc '16	(81.6)	3.38	3.55	158⅛	+⅛	161⅛	146⅛
2½pc '20	(83.0)	3.45	3.59	151½	+⅛	154⅞	139¾
2½pc '24‡‡	(97.7)	3.46	3.59	125¾	+⅛	128½	115⅞
4⅛pc '30‡‡	(135.1)	3.46	3.59	123½	+⅛	126⅛	114⅛

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1996: 153.1 and for March 1997: 155.4.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009		8.34	7.32	122½	----	122½	112½
B'ham 11½pc 2012		8.61	8.08	130½xd	----	132½	121¼
Leeds 13½pc 2006		9.75	-	138½	----	139½	130
Liverpool 3½pc Irred		7.95	-	44	----	44	37½
LCC 3pc '20 Aft		7.89	-	38xd	----	38	32⅝
Manchester 11½pc 2007		9.09	7.77	128½	----	127½	118½
Met. Wtr. 3pc 'B'		3.66	6.55	82	----	82	74½
N'wide Anglia 3⅞pc 2021		-	3.59	144⅛	----	147⅞	133
4⅛pc IL 2024		-	4.37	139½	----	142½	132

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.
Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

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UK Index

CURRENCIES AND MONEY

Tokyo changes tack on the dollar

MARKETS REPORT

By Simon Kuper

The dollar's week-long dive ended yesterday after Japanese officials hinted that it had gone far enough.

The dollar, which has lost 7 per cent of its value against the yen since May 5, firmed slightly after Mr Hiroshi Mitsuzuka, Japan's finance minister, told a parliamentary committee that exchange rates would probably settle at an appropriate level soon. Mr Yutaka Yamaguchi, the Bank of Japan's executive director, said the currency market should stabilise.

But the dollar was undermined by a fall in US April retail sales. Mr Robin Marshall, chief economist at Chase in London, said traders would now be surprised if the Federal Reserve raised interest rates after Tuesday's Open Market committee meeting.

The dollar recovered Y0.5 against the yen to close in London at Y119.0, but fell 0.3 pfennigs against the D-Mark to DM1.697.

Sterling gained on the Bank of England Inflation Report which said that interest rates would probably have to rise "in the months ahead" for the UK to hit its inflation target of 2.5 per cent in the medium term. Last week's 25-basis-point rise in base rates to 6.25 per cent had been only "an appropriate step", according to the report.

The pound gained 0.7 cents against the dollar to $1.632 and 0.7 pfennigs against the D-Mark to DM2.770.

The Norwegian krone hit a five-month low around NKr4.19 against the D-Mark early in the day, but later rallied to close at NKr4.136. It gained on rising oil prices and a revised 1997 budget, which showed a growing current account surplus and an upgraded forecast for economic growth. The Australian dollar fell after the country's budget yesterday included fewer spending cuts than expected.

■ Tokyo does not want too strong a dollar. But yesterday's comments suggest it does not want the currency too weak either.

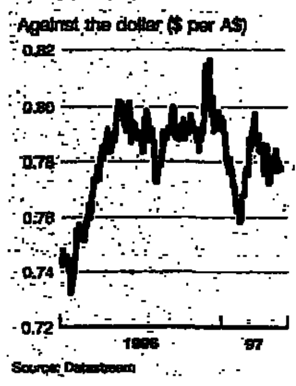
Mr Steven Englander, international economist at Smith Barney in Paris, said: "The Japanese are going to back and forth the market for a while. I think they were surprised that the yen rose as fast as it did. In central bank heaven, the dollar goes down, but not very far very fast." Smith Barney believes chances are high that Japan will raise interest rates soon.

■ Pound in New York

May 13	—Latest—	— Prev. close —
£ spot	1.6335	1.6235
1 mth	1.6327	1.6226
3 mth	1.6310	1.6212
1 yr	1.6240	1.6248

Australian dollar

Against the dollar ($ per A$)



Source: Datastream

■ The Bank of England has changed its explanation for sterling's long rise. Yesterday's Inflation Report said interest rate differentials and differences between UK and foreign fiscal policies accounted for about a third of the pound's gains since August – "a little more" than the weight the Bank had attached to these factors in its February report. The Bank now says the oil price "cannot account" for much of sterling's rise; in February oil was thought to have been a major factor.

The Bank acknowledges other forces, such as the UK's safe haven status from worries over European monetary union, and the perceived rise in quality of UK exports. But it concludes: "Part of the recent appreciation of sterling was purely erratic." And as more of the rise is now thought to have been due to temporary interest rate differentials than was believed before, "a greater proportion of the exchange rate appreciation is expected to be reversed". If the pound is going to fall, then it cannot combat inflation in the medium term. So rate rises will be needed.

The report prompted a rise in UK interest rate expectations, so short sterling contracts fell. The March 1998 contract lost 7 basis points to price in base rates of about 7 per cent. Mr Klaus Baader, senior currency economist at Deutsche Morgan Grenfell in London, said money markets were at last grasping that if the Bank was going to be tough on inflation, with its new powers to set monetary policy, rates would rise in the short term.

■ "Our dollar policy has been sound and sensible and well-articulated many times," Mr Robert Rubin, US treasury secretary, told a news conference yesterday. "There has been no change in our policy."

Mr Al Gore, the vice president, added: "Good cryptic answer, Bob."

■ OTHER CURRENCIES

May 13	£	$
Czech Rp	49.9535 - 50.0331	30.6200 - 30.6500
Hungary	294.586 - 294.828	180.560 - 180.610
Iran	4887.20 - 4894.20	3000.00 - 3000.00
Kuwait	0.4943 - 0.4948	0.3030 - 0.3031
Poland	5.1283 - 5.1380	3.1435 - 3.1475
Russia	9387.08 - 9396.09	5754.00 - 5756.00
U.A.E.	5.9918 - 5.9980	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.4940	+0.0476	832 - 047	19.5198	19.3341	19.4405	3.3	19.3525	2.9	-	-	103.3
Belgium	(BFr)	57.1655	+0.1407	153 - 156	57.2470	56.8970	57.0105	3.3	56.6955	3.3	55.2655	3.3	103.2
Denmark	(DKr)	10.5464	+0.0245	415 - 512	10.5607	10.4596	10.5209	2.8	10.4684	3.0	10.2469	2.8	106.0
Finland	(FM)	8.3502	-0.0016	415 - 589	8.3620	8.2880	-	-	-	-	-	-	82.4
France	(FFr)	9.3286	+0.0192	235 - 338	9.3429	9.2591	9.3044	3.1	9.2585	3.1	9.0339	3.2	106.3
Germany	(DM)	2.7697	+0.0069	683 - 710	2.7745	2.7455	2.7621	3.3	2.7461	3.4	2.6758	3.4	104.8
Greece	(Dr)	441.853	+0.525	636 - 070	442.920	436.357	-	-	-	-	-	-	65.2
Ireland	(I£)	1.0758	+0.0044	747 - 768	1.0768	1.0680	1.0759	-0.1	1.0749	0.3	1.0679	0.7	98.8
Italy	(L)	2739.96	-0.18	798 - 194	2748.11	2720.39	2741.66	-0.7	2743.06	-0.5	2746.91	-0.3	76.2
Luxembourg	(LFr)	57.1655	+0.1407	153 - 156	57.2470	56.8970	57.0105	3.3	56.6955	3.3	55.2655	3.3	103.2
Netherlands	(Fl)	3.1151	+0.0072	135 - 167	3.1203	3.0888	3.1066	3.3	3.0886	3.4	3.0105	3.4	102.9
Norway	(NKr)	11.4566	-0.0671	490 - 642	11.5890	11.4370	11.4261	3.2	11.3666	3.1	11.1206	2.9	99.0
Portugal	(Es)	278.606	+0.205	480 - 732	279.020	275.486	278.456	0.6	278.081	0.8	-	-	94.3
Spain	(Pta)	234.096	+0.377	943 - 249	234.400	232.040	233.936	0.8	233.496	1.0	230.741	1.4	77.9
Sweden	(SKr)	12.5144	+0.0273	044 - 243	12.5345	12.4108	12.4929	2.1	12.4449	2.2	12.2509	2.1	83.8
Switzerland	(SFr)	2.3446	+0.012	430 - 461	2.3469	2.3168	2.3352	4.8	2.3161	4.9	2.2321	4.8	104.6
UK†	(£)	-	-	-	-	-	-	-	-	-	-	-	98.8
Ecu	-	1.4221	+0.0008	212 - 229	1.4267	1.4110	1.4194	2.2	1.4135	2.4	1.3884	2.5	-
SDR	-	1.166380	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6317	+0.0071	311 - 322	1.6337	1.6172	-	-	-	-	-	-	-
Brazil	(R$)	1.7415	+0.0082	409 - 421	1.7440	1.7280	-	-	-	-	-	-	-
Canada	(C$)	2.2638	+0.0056	626 - 650	2.2667	2.2454	2.2575	3.3	2.2461	3.1	2.2043	2.6	84.2
Mexico	(New Peso)	12.9002	+0.0226	881 - 123	12.9184	12.7977	-	-	-	-	-	-	-
USA	($)	1.6319	+0.0071	314 - 324	1.6340	1.6175	1.6311	0.6	1.6294	0.6	1.6236	0.5	103.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0996	+0.0132	983 - 009	2.1009	2.0684	2.099	0.3	2.0971	0.5	2.0871	0.6	95.2
Hong Kong	(HK$)	12.6313	+0.0488	270 - 356	12.6463	12.5219	12.6253	0.6	12.6147	0.5	12.58	0.4	-
India	(Rs)	58.4792	+0.2644	204 - 379	58.5379	57.9870	-	-	-	-	-	-	-
Israel	(Shk)	5.5538	+0.04	471 - 604	5.5604	5.5471	-	-	-	-	-	-	-
Japan	(Y)	194.196	+1.665	055 - 337	194.750	191.940	193.136	6.6	191.126	6.3	182.311	6.1	127.1
Malaysia	(M$)	4.1075	+0.0273	054 - 096	4.1120	4.0696	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3489	+0.0132	470 - 508	2.3508	2.3297	2.3487	0.1	2.3497	-0.1	2.3569	-0.3	114.4
Philippines	(Peso)	43.0332	+0.1831	874 - 790	43.0790	42.9874	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1205	+0.0266	184 - 225	6.1282	6.0668	-	-	-	-	-	-	-
Singapore	(S$)	2.3446	+0.013	430 - 461	2.3461	2.3234	-	-	-	-	-	-	-
South Africa	(R)	7.2889	+0.0398	842 - 936	7.2958	7.2253	-	-	-	-	-	-	-
South Korea	(Won)	1456.88	+8.37	195 - 181	1461.81	1444.59	-	-	-	-	-	-	-
Taiwan	(T$)	45.3261	+0.2298	714 - 807	45.3807	44.9212	-	-	-	-	-	-	-
Thailand	(Bt)	42.3217	+0.2069	006 - 428	42.3880	41.9050	-	-	-	-	-	-	-

† Rates for May 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9456	-0.0229	426 - 485	12.0100	11.9320	11.9231	2.3	11.8744	2.4	11.6256	2.7	103.1
Belgium	(BFr)	35.0300	-0.0665	100 - 500	35.2250	34.9250	34.955	2.6	34.8	2.5	34.08	2.8	103.2
Denmark	(DKr)	6.4626	-0.0132	616 - 636	6.5058	6.4545	6.4508	2.2	6.4261	2.3	6.3141	2.3	105.3
Finland	(FM)	5.1169	-0.0233	131 - 206	5.1529	5.1103	5.105	2.8	5.0806	2.8	4.9724	2.8	81.7
France	(FFr)	5.7164	-0.0156	150 - 177	5.7534	5.7100	5.7047	2.4	5.682	2.4	5.5868	2.6	105.6
Germany	(DM)	1.6972	-0.0032	969 - 975	1.7086	1.6950	1.6935	2.6	1.6858	2.7	1.6489	2.8	104.3
Greece	(Dr)	270.760	-0.86	710 - 810	273.020	269.240	271.645	-3.9	273.185	-3.6	279.46	-3.2	64.8
Ireland	(I£)	1.5170	+0.0004	160 - 180	1.5205	1.5077	1.5163	0.5	1.5157	0.3	1.5125	0.3	-
Italy	(L)	1679.00	-7.45	830 - 970	1693.50	1676.75	1680.9	-1.4	1683.6	-1.1	1685.88	-0.4	75.7
Luxembourg	(LFr)	35.0300	-0.0665	100 - 500	35.2250	34.9250	34.955	2.6	34.8	2.5	34.08	2.8	103.2
Netherlands	(Fl)	1.9089	-0.0039	085 - 093	1.9207	1.9063	1.9048	2.6	1.8962	2.7	1.8558	2.8	102.7
Norway	(NKr)	7.0204	-0.072	179 - 229	7.1374	7.0179	7.0031	3.0	6.9777	2.4	6.8519	2.4	97.5
Portugal	(Es)	170.725	-0.62	700 - 750	171.350	170.200	170.71	0.1	170.645	0.2	169.335	0.8	94.6
Spain	(Pta)	143.450	-0.395	400 - 500	144.360	143.230	143.45	0.0	143.373	0.2	142.115	0.9	77.5
Sweden	(SKr)	7.6686	-0.0167	648 - 723	7.7194	7.6548	7.6592	1.5	7.6386	1.6	7.5441	1.6	83.6
Switzerland	(SFr)	1.4367	+0.0011	362 - 372	1.4395	1.4305	1.4319	4.1	1.4221	4.1	1.3784	4.2	104.6
UK	(£)	1.6319	+0.0071	314 - 324	1.6340	1.6175	1.6311	0.6	1.6294	0.6	1.6236	0.5	98.3
Ecu	-	1.1476	+0.0044	472 - 479	1.1488	1.1384	1.149	-1.5	1.1524	-1.7	1.17	-2.0	-
SDR†	-	0.72137	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0672	+0.0004	671 - 672	1.0680	1.0671	-	-	-	-	-	-	-
Canada	(C$)	1.3872	-0.0026	869 - 875	1.3891	1.3863	1.3842	2.6	1.3787	2.5	1.3597	2.0	83.9
Mexico	(New Peso)	7.9050	-0.0205	000 - 100	7.9120	7.9000	8.0135	-16.5	8.215	-15.7	9.21	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2866	+0.0025	862 - 870	1.2870	1.2854	1.287	-0.4	1.2871	-0.2	1.2861	0.0	98.5
Hong Kong	(HK$)	7.7403	-0.0037	400 - 405	7.7435	7.7390	7.7413	-0.2	7.7428	-0.1	7.7528	-0.2	-
India	(Rs)	35.8350	-	100 - 600	35.8600	35.8100	35.925	-3.0	36.21	-4.2	34.015	5.1	-
Israel	(Shk)	3.4033	+0.0098	002 - 063	3.4063	3.3932	-	-	-	-	-	-	-
Japan	(Y)	119.000	+0.505	950 - 050	119.650	118.450	118.445	5.6	117.34	5.6	112.44	5.5	128.6
Malaysia	(M$)	2.5170	+0.0058	165 - 175	2.5185	2.5110	2.5192	-1.1	2.5234	-1.0	2.5403	-0.9	-
New Zealand	(NZ$)	1.4394	+0.0019	386 - 401	1.4401	1.4382	1.4402	-0.7	1.4426	-0.9	1.4527	-0.9	-
Philippines	(Peso)	26.3700	-0.0025	500 - 900	26.3900	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4367	+0.0017	362 - 372	1.4372	1.4350	1.4351	1.4	1.431	1.6	1.4092	1.9	-
South Africa	(R)	4.4665	+0.005	650 - 680	4.4680	4.4610	4.506	-10.6	4.5835	-10.5	4.8815	-9.3	-
South Korea	(Won)	892.750	+1.25	000 - 500	895.500	890.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.7750	+0.02	500 - 000	27.8000	27.7500	27.7756	0.0	27.777	0.0	27.7812	0.0	-
Thailand	(Bt)	25.9340	+0.014	290 - 390	25.9600	25.9000	25.9953	-2.8	26.119	-2.9	26.699	-2.9	-

† SDR rate per $ for May 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 12: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{11}{32}$	$3\frac{15}{32}$	6.00	2.50	-
France	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{11}{32}$	$3\frac{7}{16}$	$3\frac{1}{2}$	3.10	-	4.75
Germany	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{3}{16}$	$3\frac{5}{16}$	4.50	2.50	3.00
Ireland	$6\frac{1}{4}$	$6\frac{1}{4}$	$6\frac{1}{4}$	$5\frac{5}{8}$	$5\frac{15}{16}$	-	-	6.75
Italy	$7\frac{5}{8}$	$6\frac{13}{16}$	$6\frac{13}{16}$	$6\frac{3}{4}$	$6\frac{5}{8}$	8.25	6.75	7.34
Netherlands	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{3}{8}$	-	3.00	3.30
Switzerland	$1\frac{5}{8}$	$1\frac{5}{8}$	$1\frac{3}{4}$	$1\frac{13}{16}$	$1\frac{13}{16}$	-	1.00	-
US	$5\frac{1}{2}$	$5\frac{5}{8}$	$5\frac{3}{4}$	$5\frac{15}{16}$	$6\frac{1}{8}$	-	5.00	-
Japan	$\frac{1}{2}$	$\frac{9}{16}$	$\frac{9}{16}$	$\frac{11}{16}$	$\frac{15}{16}$	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{11}{16}$	$5\frac{7}{8}$	$5\frac{31}{32}$	$6\frac{1}{4}$	-	-	-
US Dollar CDs	-	5.50	5.61	5.72	5.99	-	-	-
ECU Linked Ds	-	$4\frac{1}{32}$	$4\frac{1}{8}$	$4\frac{1}{4}$	$4\frac{3}{8}$	-	-	-
SDR Linked Ds	-	$3\frac{1}{2}$	$3\frac{5}{8}$	$3\frac{3}{4}$	$3\frac{29}{32}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{1}{8}$ - $3\frac{1}{16}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{11}{32}$ - $3\frac{9}{32}$	$3\frac{7}{16}$ - $3\frac{3}{8}$
Danish Krone	$3\frac{21}{32}$ - $3\frac{1}{2}$	$3\frac{9}{16}$ - $3\frac{1}{2}$	$3\frac{17}{32}$ - $3\frac{15}{32}$	$3\frac{5}{8}$ - $3\frac{15}{32}$	$3\frac{11}{16}$ - $3\frac{9}{16}$	$3\frac{15}{16}$ - $3\frac{13}{16}$
German Mark	$3\frac{1}{8}$ - $2\frac{15}{16}$	$3\frac{3}{16}$ - $2\frac{15}{16}$	$3\frac{3}{16}$ - $2\frac{15}{16}$	$3\frac{3}{16}$ - $3\frac{1}{16}$	$3\frac{9}{32}$ - $3\frac{5}{32}$	$3\frac{11}{32}$ - $3\frac{1}{4}$
Dutch Guilder	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{9}{32}$ - $3\frac{5}{32}$	$3\frac{7}{32}$ - $3\frac{3}{32}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{11}{32}$ - $3\frac{7}{32}$	$3\frac{7}{16}$ - $3\frac{5}{16}$
French Franc	$3\frac{3}{8}$ - $3\frac{5}{16}$	$3\frac{3}{8}$ - $3\frac{5}{16}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{13}{32}$ - $3\frac{9}{32}$	$3\frac{15}{32}$ - $3\frac{3}{8}$	$3\frac{17}{32}$ - $3\frac{13}{32}$
Portuguese Esc.	$5\frac{25}{32}$ - $5\frac{21}{32}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{1}{2}$ - $5\frac{7}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$
Spanish Peseta	$5\frac{3}{4}$ - $5\frac{19}{32}$	$5\frac{13}{32}$ - $5\frac{1}{4}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{7}{32}$ - $5\frac{3}{32}$	$5\frac{3}{16}$ - $5\frac{1}{16}$
Sterling	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{5}{16}$ - $6\frac{1}{4}$	$6\frac{13}{32}$ - $6\frac{11}{32}$	$6\frac{5}{8}$ - $6\frac{9}{16}$	$6\frac{7}{8}$ - $6\frac{13}{16}$
Swiss Franc	$1\frac{3}{4}$ - $1\frac{5}{8}$	$1\frac{11}{16}$ - $1\frac{9}{16}$	$1\frac{3}{4}$ - $1\frac{5}{8}$	$1\frac{13}{16}$ - $1\frac{11}{16}$	$1\frac{7}{8}$ - $1\frac{3}{4}$	$1\frac{15}{16}$ - $1\frac{13}{16}$
Canadian Dollar	$3\frac{1}{16}$ - $2\frac{13}{16}$	$3\frac{1}{8}$ - $2\frac{15}{16}$	$3\frac{1}{8}$ - 3	$3\frac{11}{32}$ - $3\frac{7}{32}$	$3\frac{19}{32}$ - $3\frac{15}{32}$	$4\frac{1}{8}$ - 4
US Dollar	$5\frac{9}{16}$ - $5\frac{7}{16}$	$5\frac{5}{8}$ - $5\frac{17}{32}$	$5\frac{21}{32}$ - $5\frac{9}{16}$	$5\frac{13}{16}$ - $5\frac{23}{32}$	$5\frac{31}{32}$ - $5\frac{7}{8}$	$6\frac{7}{32}$ - $6\frac{1}{8}$
Italian Lira	8 - 7	$7\frac{3}{32}$ - 7	$6\frac{31}{32}$ - $6\frac{27}{32}$	$6\frac{27}{32}$ - $6\frac{3}{4}$	$6\frac{13}{16}$ - $6\frac{3}{4}$	$6\frac{11}{16}$ - $6\frac{19}{32}$
Japanese Yen	$\frac{1}{2}$ - $\frac{15}{32}$	$0\frac{17}{32}$ - $0\frac{1}{2}$	$0\frac{15}{32}$ - $0\frac{3}{8}$	$0\frac{19}{32}$ - $0\frac{9}{16}$	$0\frac{19}{32}$ - $0\frac{1}{2}$	$\frac{15}{16}$ - $\frac{7}{8}$
Asian $Sing	$3\frac{9}{16}$ - $3\frac{7}{16}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{9}{16}$ - $3\frac{1}{2}$	$4\frac{3}{8}$ - $3\frac{7}{8}$	$3\frac{9}{16}$ - $3\frac{7}{16}$	$3\frac{11}{16}$ - $3\frac{9}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.48	96.51	+0.01	96.53	96.48	30,565	57,053
Sep	96.53	96.57	+0.03	96.58	96.53	20,377	60,733
Dec	96.52	96.54	-	96.55	96.51	7,969	37,759

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.78	96.80	+0.02	96.80	96.78	12759	230717
Sep	96.75	96.76	+0.02	96.76	96.74	14586	212932
Dec	96.62	96.65	+0.03	96.65	96.62	17012	237761
Mar	96.50	96.54	+0.04	96.54	96.49	10492	191301

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	96.83	96.83	+0.01	96.83	96.82	100	4168
Jun	96.81	96.82	+0.01	96.82	96.81	350	935
Jul	-	96.80	+0.01	-	-	0	300
Aug	-	96.79	+0.01	-	-	0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.25	93.25	+0.01	93.28	93.19	17852	109413
Sep	93.57	93.56	-	93.58	93.52	19195	80803
Dec	93.70	93.71	+0.01	93.72	93.66	9815	55041
Mar	93.75	93.77	+0.03	93.78	93.71	4972	34135

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.21	98.24	+0.03	98.25	98.19	6820	49539
Sep	98.20	98.23	+0.03	98.24	98.18	6681	35612
Dec	98.07	98.11	+0.04	98.11	98.06	3051	24356
Mar	97.97	98.01	+0.04	98.02	97.96	1485	9469

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.32	99.32	+0.02	99.32	99.32	100	n/a
Sep	-	99.12	+0.02	-	-	0	n/a
Dec	98.87	98.87	+0.02	98.87	98.87	100	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.86	+0.04	95.87	95.83	711	7398
Sep	95.84	95.87	+0.05	95.87	95.82	389	5733
Dec	95.78	95.80	+0.05	95.83	95.76	142	5837
Mar	95.69	95.71	+0.05	95.71	95.69	645	3843

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.13	0.46	0.64	0.13	0.15	0.18
9350	0.04	0.29	0.47	0.29	0.23	0.26
9375	0.01	0.17	0.33	0.51	0.36	0.37

Est. vol. total, Calls 4744 Puts 1420. Previous day's open int., Calls 155353 Puts 78115

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.32	4.845	1.882	4793	5.449	20.04	487.4	409.5	21.89	4.101	1.749	3.960	2.855	339.7	2.486
Denmark	(DKr)	54.20	10	8.845	2.626	1.020	2598	2.954	10.86	264.2	222.0	11.87	2.223	0.948	2.147	1.547	184.1	1.348
France	(FFr)	61.28	11.31	10	2.969	1.153	2937	3.339	12.28	298.7	250.9	13.42	2.513	1.072	2.427	1.749	208.2	1.524
Germany	(DM)	20.64	3.808	3.368	1	0.388	989.3	1.125	4.136	100.6	84.52	4.518	0.847	0.361	0.817	0.589	70.12	0.513
Ireland	(I£)	53.14	9.804	8.672	2.575	1	2547	2.896	10.65	259.0	217.6	11.63	2.179	0.930	2.104	1.517	180.5	1.322
Italy	(L)	2.086	0.385	0.340	0.101	0.039	100	0.114	0.418	10.17	8.544	0.457	0.086	0.037	0.083	0.060	7.088	0.052
Netherlands	(Fl)	18.35	3.386	2.995	0.889	0.345	879.8	1	3.678	89.44	75.15	4.017	0.753	0.321	0.727	0.524	62.34	0.456
Norway	(NKr)	49.90	9.205	8.143	2.418	0.939	2392	2.719	10	243.2	204.3	10.92	2.046	0.873	1.976	1.424	169.5	1.241
Portugal	(Es)	20.52	3.785	3.348	0.994	0.386	983.5	1.118	4.112	100	84.02	4.492	0.842	0.359	0.813	0.586	69.70	0.510
Spain	(Pta)	24.42	4.505	3.985	1.183	0.460	1170	1.331	4.894	119.0	100	5.346	1.002	0.427	0.967	0.697	82.96	0.607
Sweden	(SKr)	45.68	8.427	7.454	2.213	0.860	2189	2.489	9.155	222.6	187.1	10	1.873	0.799	1.809	1.304	155.2	1.136
Switzerland	(SFr)	24.38	4.498	3.979	1.181	0.459	1169	1.329	4.886	118.8	99.85	5.338	1	0.427	0.966	0.696	82.83	0.607
UK	(£)	57.17	10.55	9.329	2.770	1.076	2740	3.115	11.46	278.6	234.1	12.51	2.345	1	2.264	1.632	194.2	1.422
Canada	(C$)	25.25	4.659	4.121	1.223	0.475	1210	1.376	5.061	123.1	103.4	5.528	1.036	0.442	1	0.721	85.78	0.628
USA	($)	35.03	6.463	5.716	1.697	0.659	1679	1.909	7.020	170.7	143.5	7.669	1.437	0.613	1.387	1	119.0	0.871
Japan	(Y)	29.44	5.431	4.804	1.426	0.554	1411	1.604	5.900	143.5	120.5	6.444	1.207	0.515	1.166	0.840	100	0.732
Ecu	-	40.20	7.416	6.560	1.948	0.757	1927	2.191	8.057	195.9	164.6	8.800	1.649	0.703	1.592	1.148	136.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5875	0.5910	+0.0037	0.5912	0.5856	42,537	82,353
Sep	0.5934	0.5948	+0.0036	0.5948	0.5934	363	8,545
Dec	-	0.5980	+0.0027	0.5987	-	157	467

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8424	0.8415	-0.0016	0.8480	0.8400	52,156	79,166
Sep	0.8560	0.8538	-0.0006	0.8560	0.8510	1,188	2,171
Dec	0.8645	0.8659	-	0.8660	0.8645	68	721

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6977	0.7005	+0.0031	0.7020	0.6968	31,283	45,635
Sep	0.7062	0.7079	+0.0034	0.7079	0.7062	297	2,391
Dec	-	0.7125	-	0.7145	-	80	438

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6222	1.6294	+0.0070	1.6310	1.6224	8,214	37,169
Sep	1.6230	1.6270	+0.0070	1.6270	1.6230	121	1,053
Dec	-	1.6240	+0.0068	1.6250	-	3	110

UK INTEREST RATES

LONDON MONEY RATES

May 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$6\frac{1}{4}$ - 6	$6\frac{5}{16}$ - $6\frac{1}{16}$	$6\frac{5}{16}$ - $6\frac{1}{8}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$6\frac{15}{16}$ - $6\frac{13}{16}$
Sterling CDs	-	-	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{13}{32}$ - $6\frac{11}{32}$	$6\frac{9}{16}$ - $6\frac{1}{2}$	$6\frac{27}{32}$ - $6\frac{25}{32}$
Treasury Bills	-	-	$6\frac{1}{16}$ - $6\frac{3}{16}$	$6\frac{3}{8}$ - $6\frac{1}{4}$	-	-
Bank Bills	-	-	$6\frac{7}{32}$ - $6\frac{3}{16}$	$6\frac{13}{32}$ - $6\frac{3}{8}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	-
Local authority deps.	$6\frac{1}{8}$ - 6	$6\frac{1}{8}$ - 6	$6\frac{1}{4}$ - $6\frac{7}{32}$	$6\frac{7}{16}$ - $6\frac{3}{8}$	$6\frac{21}{32}$ - $6\frac{19}{32}$	$6\frac{31}{32}$ - $6\frac{29}{32}$
Discount Market deps	$6\frac{1}{4}$ - 6	$6\frac{1}{8}$ - 6	-	-	-	-

UK clearing bank base lending rate $6\frac{1}{4}$ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc. Ave. tender rate of discount on May 9, 6.1164pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate $6\frac{1}{2}$pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.46	93.48	+0.03	93.50	93.46	14609	114067
Sep	93.24	93.27	+0.06	93.30	93.24	27757	101076
Dec	93.08	93.14	+0.09	93.16	93.08	33612	88111
Mar	92.99	93.04	+0.10	93.05	92.99	13959	59014
Jun	92.91	92.96	+0.09	92.96	92.91	11711	49088

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.24	0.15	0.16	0.01	0.13	0.27
9350	0.05	0.05	0.07	0.07	0.28	0.43
9375	0	0.01	0.03	0.27	0.49	0.64

Est. vol. total, Calls 9956 Puts 3470. Previous day's open int., Calls 178479 Puts 164364

EMS EUROPEAN CURRENCY UNIT RATES

May 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.759885	+0.000485	-4.86	7.22	33
Portugal	197.398	196.547	-0.159	-0.43	2.45	3
Finland	5.85424	5.89859	-0.00166	0.76	1.24	-5
Spain	163.826	165.177	-0.051	0.82	1.18	-6
Denmark	7.34555	7.44535	+0.00924	1.36	0.64	-9
Netherlands	2.16979	2.19948	+0.00328	1.37	0.63	-10
Italy	1906.48	1934.53	-4.11	1.47	0.53	-11
Germany	1.92573	1.95546	+0.00293	1.54	0.46	-15
Austria	13.5485	13.7636	+0.0209	1.59	0.42	-12
Belgium	39.7191	40.3598	+0.0595	1.61	0.39	-12
France	6.45863	6.58855	+0.00561	2.01	0.00	-17
NON ERM MEMBERS						
Greece	295.269	311.897	-0.174	5.63	-3.43	-
UK	0.793103	0.708218	-0.004482	-10.70	14.24	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
1.610	1.39	2.13	2.54	0.15	0.92	1.48
1.620	0.73	1.57	2.04	0.41	1.35	1.98
1.630	0.35	0.99	1.59	0.99	1.90	2.51

Previous day's vol., Calls 1,551 Puts 130. Prev. day's open int., Calls 36,279 Puts 35,369

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	Jun	Jul	PUTS May	Jun	Jul
0.585	0.31	0.74	1.02	0.17	0.50	0.68
0.590	0.16	0.49	0.77	0.43	0.76	0.92
0.595	0.04	0.32	0.56	0.88	1.08	1.22

Previous day's vol., Calls 6,140 Puts 1,454. Prev. day's open int., Calls 27,213 Puts 41,508

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.13	94.12	+0.96	94.14	94.11	58,800	473,667
Sep	93.94	93.94	-	93.97	93.93	82,482	433,002
Dec	93.74	93.73	-0.21	93.77	93.72	70,052	324,361

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.76	94.76	-	94.77	94.75	1,302	6,206
Sep	94.53	94.54	-	94.55	94.53	60	4,373
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
9675	0.06	0.08	0.05	0.07	0.01	0.01	0.04	0.06
9700	0	0.01	0.01	0.01	0.20	0.21	0.25	0.25
9725	0	0	0	0	0.45	0.45	0.49	0.49

Est. vol. total, Calls 2745 Puts 4059. Previous day's open int., Calls 483594 Puts 274999

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9825	0.07	0.12	0.16	0.08	0.14	0.30
9850	0.01	0.04	0.07	0.27	0.31	0.46

Est. vol. total, Calls 200 Puts 0. Previous day's open int., Calls 1476 Puts 1840

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	TSB	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	United Bank of Kuwait	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Western Trust	6.25
Bank of Scotland	6.25	●Hill Samuel	6.0	Whiteaway Laidlaw	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.00
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Investec Bank (UK) Ltd	6.25		
Citibank NA	6.25	Julian Hodge Bank	6.25		
Clydesdale Bank	6.25	●Leopold Joseph & Sons	6.25		
The Co-operative Bank	6.25	Lloyds Bank	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

Eramet postpones AGM until after election

By Kenneth Gooding, Mining Correspondent

Eramet, the metals group, yesterday turned the tables on the French government in the row over mining rights.

Mr Yves Rambaud, whom the government is threatening to replace as chairman of Eramet, appeared to have won a tactical victory with the help of institutional investors and employees.

The company said it had postponed its annual meeting at which Erap, the state holding company which owns 55 per cent of Eramet, intended to take control of the board and replace Mr Rambaud. The meeting, scheduled for May 29, will now take place after the French general election, in which the second round of voting takes place on June 1.

Eramet's board and its supporters are hoping that there will be changes in the government and pressure for Mr Rambaud's removal will be removed.

Mr Rambaud has been contesting the government's move to strip his company of a nickel concession in New Caledonia, a move demanded by some nationalists in the French overseas territory. The government is backing a plan by SMSP, a company controlled by Kanak nationalists, to build a smelter with Canadian mining group Falconbridge, using nickel from an Eramet concession.

Mr Rambaud said yesterday that Eramet's three non-French directors, appointed after the group was partly privatised in 1994, had indicated they would resign if Erap took control of the board, and most of the French directors would also quit.

The non-French directors are Mr George Lowy, a New York lawyer; Mr Stig Ramel, former president of Sweden's Nobel Foundation; and Mr Wilhelm Scheider, former director of the Krupp group of Germany.

"We have a strong and courageous board and most of them are not willing to stay if they are not allowed to be independent," Mr Rambaud said.

Previously, two of Eramet's institutional investors, Fidelity and Templeton, which each hold about 5 per cent, warned that they might refuse to buy more shares in privatised French companies if the government forced changes at Eramet – a clear reference to the planned sale next month of a minority stake in France Telecom.

Senior management resignations are also likely if Erap takes control. Mr Michel Hémonnot, Eramet secretary-general, said yesterday the management team wanted Mr Rambaud to stay as chairman and for the strategy it had devised over the past 10 years to remain in place. If not, some would resign – or possibly be fired by Erap.

Mr Rambaud said Eramet had to postpone the meeting because there was confusion over the resolutions proposed by Erap, which in some cases were contradictory.

In addition, institutional shareholders and had put forward many resolutions that needed board consideration. Many of these aim to ensure the future independence of an Eramet board.

Eramet employees are also demanding three seats on the board, as required under French law for state-owned companies. Mr Rambaud said employees previously had not forced this issue but had changed tack.

He said Eramet would have to call a special board meeting to prepare proposals for the annual meeting but he did not know when the board meeting would be held. Shares in Eramet closed yesterday at FFr296.30, up FFr3.30 or 1.1 per cent on the day.

Russian talks hit platinum, palladium

By Gary Mead

Platinum and palladium prices fell sharply in London yesterday after the Russian export agency said that long-delayed talks with Japan on exports had started.

Almazjuvelirexport said deliveries of platinum group metals (PGM) "should start in the second half of June at the latest". However, some experts cast doubt on this prediction. "It finally looks like they [the Russians] might really get into gear, but it's an open question how soon they might start delivering," said one.

Mr Vitaly Berlin, director of the platinum group metals department at Almaz, said that "quantities of palladium for 1997 are sufficient enough to satisfy out clients' requirements and keep palladium prices at a reasonable level".

Russia is the biggest producer of palladium, essential in some automotive catalysts and electronic equipment components, yet it has exported virtually none this year so far. This has left some organisations in Japan, the biggest consumer, struggling to cope.

Fears for the long-term Russian-Japanese relationship were being expressed yesterday.

"I'm sure the Japanese will now start talking to South Africa to increase platinum imports from there," said one London-based specialist.

"As for palladium, in the short term Japan can't do much, but I'm sure they will be exploring ways of developing substitutes."

The spot price in London for palladium yesterday retreated from the two-year high it achieved on Monday, falling $3.50 an ounce to $170; platinum also dropped, by $7.25 to $389.

Further setback for Foinaven oil field

By Robert Corzine and Leyla Boulton

The UK's first oil development in the deep water west of the Shetland Islands has suffered another technical setback, with first production from the country's newest oil region now unlikely for three to four months.

British Petroleum, operator of the floating production system being used to develop the field, said yesterday final pressure tests of the part resting on the seabed showed in four of 48 valves. No oil was spilled during the tests, which used water.

Foinaven, which was discovered in 1992, was designed to be a model for the "fast-track" developments which oil companies see as one of the main ways to reduce the cost of developing the relatively modest sized accumulations that are increasingly the norm for UK offshore discoveries.

It had originally been due on stream early last summer but cracks appeared in the sub-sea manifold – the steel structure that sits on the seabed and to which the flow lines and control umbilicals to individual wells are connected. The original problem resulted from an "overactive" cathodic protection system that triggered chemical reactions in the exotic steel alloy used in structure.

BP said it was not clear what caused the current leaks in the manifold. "We won't know what we're dealing with until we get it to the surface," the company said yesterday.

The delay will make a big dent in this summer's expected increase in production from the UK sector of the North Sea. Foinaven output was expected to rise rapidly to an average of 95,000 barrels a day over its first year.

The operation to bring the manifold back to the surface is expected to cost several million pounds and is due to begin within a few weeks.

The company also plans to recover five "Christmas trees" that prevent well blow-outs. They have valves similar to those that have leaked on the manifold.

BP has been obsessive in its determination that there will be no leaks from Foinaven when production finally begins.

Greenpeace, the environmental pressure group, has made Foinaven the focus of its latest campaign against oil developments in pristine frontier areas.

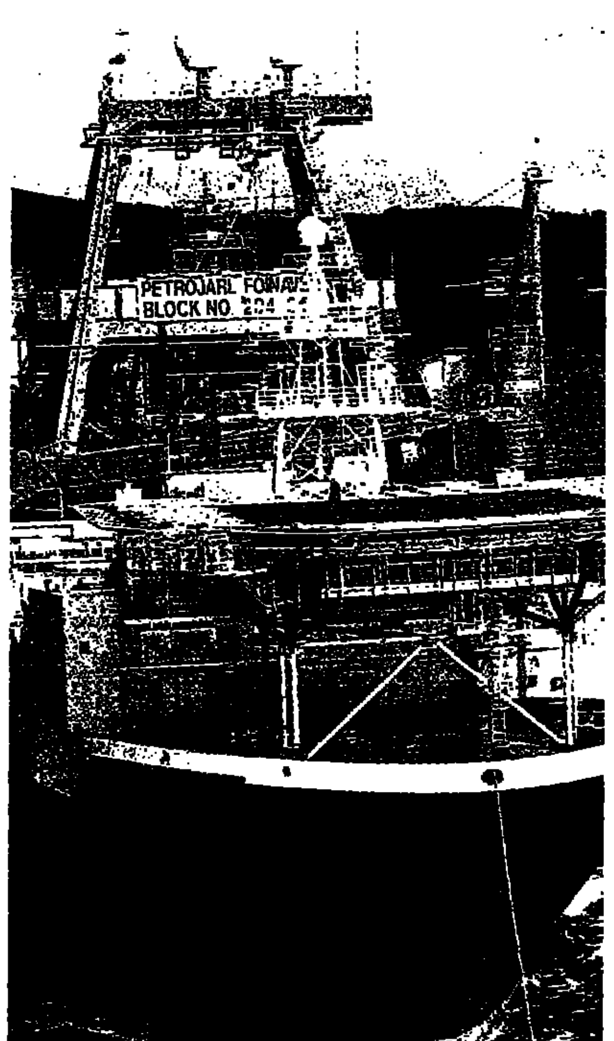
This week Greenpeace urged world leaders who will gather in New York for a special UN meeting on the environment next month to commit themselves to "begin a fossil fuel phase-out" in order to fight climate change.

"We're trying to close down the exploration arm of the oil majors," said Mr Marcus Rand, Greenpeace UK's climate change campaigner.

The group is expected to extend its campaign against developments such as Foinaven to other new frontier areas such as the Arctic and the Indian Ocean.

BP said yesterday the problems affecting Foinaven should not delay progress on its Schiehallion field, the second commercial oil development in the area. Although Schiehallion will also use a subsea production system, the design of the valves are different from those used at Foinaven.

The latest delay highlights the technical problems that can arise with deep-water developments that stretch undersea technology to its limits.



The surface element of BP's production system being used to develop the Foinaven oil field west of the Shetlands

Bulls boost coffee prices

MARKETS REPORT

By Gary Mead and Robert Corzine

The continuing strong bull market for arabica coffee futures in New York helped boost robusta coffee on the London International Financial Futures Exchange.

The benchmark July contract surged to a peak of $1,835 a tonne – the highest since May 1996 – before quickly sliding back to $1,829. It retreated further, to $1,815, and closed the day at that figure, a $40 gain.

The Liffe July contract has now risen by slightly more than 50 per cent since the start of 1997, though specialists point out that the gains are being driven more by technical than fundamental reasons, as supplies of robusta are plentiful.

Traders say the current frenzy is unlikely to abate before the Brazilian crop has survived the threat of possible winter frost.

Copper had an active day's trading on the London Metal Exchange, with the three-month contract pushing strongly towards $2,440 a tonne, a high point last reached on March 7. It initially climbed to $2,433 after the morning's "kerb" trading, but profit-taking saw it fall back to $2,417 at the end of the afternoon's session, a rise of $8 on the day.

Other base metals were less busy: aluminium ended the day unchanged, at $1,670 per tonne; lead was down $8, at $622 a tonne; zinc improved by $2 a tonne to $1,337; and nickel was unmoved by reports of delays at the Russian Arctic port of Dudinka, and closed $65 off, at $7,770.

The rally that took oil to a two-month high on Monday eased yesterday as profit-taking pushed prices downward. Brent Blend for June delivery was quoted at $19.58 a barrel in late London trading, 14 cents down on Monday's close.

Prices were softer in spite of news that Shell has been forced to cut production in Nigeria by at least 100,000 barrels a day because of unrest in the Niger River Delta. Unlike recent similar incidents, the 10 per cent cut in Nigerian output has not caused Shell to declare force majeure on exports from its Forcados terminal.

● London Metal Exchange stocks data now appear daily in the prices section of the Commodities page.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1640.5-41.5	1667-68
Previous	1651.5-2.5	1675-6
High/low		1672/1658
AM Official	1633.5-34	1661-61.5
Kerb close		1669-70
Open int.	278,841	
Total daily turnover	80,356	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1495-500	1521-24
Previous	1500-05	1525-30
High/low		1527/1517
AM Official	1495-500	1527-28
Kerb close		1523-25
Open int.	5,494	
Total daily turnover	1,376	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	613.5-4.5	625-6
Previous	615-6	625-6
High/low		628/622
AM Official	612-3	623-4
Kerb close		622-2.5
Open int.	36,417	
Total daily turnover	4,615	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7660-70	7765-70
Previous	7755-65	7860-70
High/low	7650/7655	7830/7750
AM Official	7650-55	7760-65
Kerb close		7770-75
Open int.	48,760	
Total daily turnover	14,424	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5670-80	5720-25
Previous	5825-35	5870-80
High/low	5699/5695	5860/5720
AM Official	5692-95	5736-37
Kerb close		5730-35
Open int.	15,943	
Total daily turnover	4,248	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1316-17	1335.5-36
Previous	1314-15	1333-34
High/low		1339/1324
AM Official	1304-05	1325.5-26
Kerb close		1337-38
Open int.	90,494	
Total daily turnover	17,601	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2478-80	2419-20
Previous	2478.5-80.5	2414-5
High/low	2472/2471	2433/2403
AM Official	2472-72.5	2411-12
Kerb close		2416-17
Open int.	137,568	
Total daily turnover	65,163	

■ LME AM Official £/$ rate: 1.6243
LME Closing £/$ rate: 1.6320

Spot: 1.6321 3 mths: 1.6297 6 mths: 1.6273 9 mths: 1.6252

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	113.20	-0.60	114.30	112.30	782	2,749
Jun	113.30	-0.20	114.00	112.20	151	2,977
Jul	113.10	-	114.60	112.10	6,093	27,614
Aug	111.00	+0.30	111.20	110.60	130	1,474
Sep	109.50	+0.25	109.90	108.75	612	5,514
Oct	108.10	+0.20	108.10	107.50	20	1,015
Total					7,957	53,981

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	347.90-348.40		
Opening	346.70-347.00		
Morning fix	347.30	214.05	497.40
Afternoon fix	348.90	213.75	499.97
Day's High	349.60-349.90		
Day's Low	346.70-347.00		
Previous close	349.80-350.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.85	6 months	4.80
2 months	4.85	12 months	4.74
3 months	4.84		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.00	482.50
3 months	301.20	488.55
6 months	305.50	494.85
1 year	314.60	508.20

Gold Coins	$ price	£ equiv.
Krugerrand	346-348	212-213
Maple Leaf	-	-
New Sovereign	81-84	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	349.5	+1.8	-	-	1	-
Jun	350.5	+1.8	350.9	348.0	39,993	68,975
Aug	353.3	+1.8	353.9	350.9	1,674	19,368
Oct	356.1	+1.9	356.0	354.2	682	6,706
Dec	358.9	+1.9	358.5	356.5	720	21,680
Feb	361.7	+1.9	361.8	361.8	6	4,691
Total					43,308	161,442

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	391.9	+0.8	394.5	387.0	6,167	14,268
Oct	393.1	+1.0	396.0	389.0	114	3,463
Jan	395.3	+1.0	395.0	390.0	32	1,163
Apr	397.8	+1.0	-	-	-	14
Total					6,313	18,908

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	174.55	-0.30	-	-	20	14
Jun	171.55	-0.30	174.75	165.00	2,225	6,598
Sep	169.55	+0.20	170.00	168.00	325	3,261
Dec	169.55	+0.20	172.50	168.00	-	376
Total					2,560	10,344

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	484.1	+5.1	483.5	478.5	115	180
Jul	487.8	+4.3	490.5	482.0	11,708	56,483
Sep	492.7	+4.3	494.5	487.5	311	5,503
Dec	500.1	+4.3	500.0	496.0	271	7,278
Jan	502.5	+4.4	-	-	1	17
Mar	508.0	+4.5	-	-	14	7,334
Total					12,421	85,122

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.30	-0.08	21.47	21.16	58,318	64,173
Jul	21.23	-0.03	21.35	21.09	52,655	72,339
Aug	21.07	-0.01	21.13	20.97	19,679	38,824
Sep	20.93	-0.03	20.96	20.82	4,370	19,989
Oct	20.80	-0.05	20.85	20.75	1,350	15,569
Nov	20.70	-0.07	20.72	20.67	1,720	14,829
Total					151,096	398,138

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	19.65	-0.07	19.78	19.56	8,737	25,033
Jul	19.50	+0.03	19.54	19.36	14,841	79,948
Aug	19.42	+0.02	19.47	19.30	4,105	24,803
Sep	19.39	+0.04	19.39	19.29	615	11,199
Oct	19.33	-	19.33	19.26	394	6,686
Nov	19.32	+0.02	19.32	19.26	337	5,841
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	56.35	-0.30	56.80	56.00	24,755	30,589
Jul	56.60	-0.13	56.80	56.15	6,873	30,790
Aug	56.95	-0.08	57.10	56.60	3,201	16,462
Sep	57.35	-0.28	57.50	57.25	534	9,641
Oct	58.10	-0.18	58.30	57.80	176	8,283
Nov	58.75	-0.23	58.80	58.40	216	7,383
Total					38,288	138,297

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	173.25	-0.50	174.75	172.25	6,307	25,465
Jul	174.00	-0.25	175.25	173.25	2,884	9,259
Aug	175.75	+0.25	176.50	174.75	1,284	7,595
Sep	177.00	-	177.50	176.00	357	3,192
Oct	178.75	-	179.00	179.00	214	3,806
Nov	180.00	-	-	-	-	1,677
Total					23,964	62,633

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	2.185	-0.039	2.220	2.155	16,610	33,920
Jul	2.200	-0.031	2.230	2.171	6,962	28,820
Aug	2.200	-0.030	2.230	2.175	3,430	18,999
Sep	2.185	-0.030	2.220	2.160	837	15,340
Oct	2.185	-0.035	2.190	2.175	885	17,915
Nov	2.280	-0.030	2.280	2.270	443	7,888
Total					31,894	208,928

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	64.60	+0.13	65.20	64.10	19,802	43,184
Jul	63.45	-0.04	63.80	63.05	8,389	25,766
Aug	62.25	+0.01	62.50	61.95	1,368	9,940
Sep	61.00	+0.06	61.00	60.50	357	3,732
Oct	58.89	-	-	-	826	3,097
Nov	58.10	-	57.80	57.80	86	1,777
Total					30,728	95,186

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	90.50	-0.75	91.00	90.10	80	279
Jul	92.50	-0.75	93.00	91.75	248	2,103
Sep	93.40	-0.85	-	-	-	72
Nov	95.40	-0.85	95.75	94.75	280	3,555
Jan	97.40	-0.85	98.25	96.75	172	1,419
Mar	99.40	-0.85	98.75	98.75	50	695
Total					865	8,371

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	388.00	-5.00	390.00	385.00	141	243
Jul	395.50	-3.50	398.00	390.75	19,619	55,726
Sep	401.75	-3.75	404.75	398.00	3,039	13,225
Dec	413.25	-3.50	416.00	409.00	2,380	16,454
Mar	415.50	-3.50	415.50	410.00	48	1,169
May	392.00	-3.00	-	-	-	16
Total					25,238	87,880

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	289.25	+1	289.75	285.25	3,805	7,397
Jul	284.50	+1.5	284.75	280.25	29,474	127,849
Sep	268.75	+0.5	269.25	265.25	1,890	27,015
Dec	266.75	-0.5	267.25	263.50	12,672	108,063
Mar	272.50	-0.5	273.00	269.25	474	11,670
May	276.50	-0.5	276.50	274.00	232	1,163
Total					48,798	289,886

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	90.00	-0.50	90.00	90.00	4	50
Sep	90.50	-0.75	-	-	-	28
Nov	92.50	-0.75	-	-	-	941
Jan	94.50	-0.75	94.50	94.50	5	119
Mar	96.50	-0.75	-	-	-	-
May	98.50	-0.75	-	-	-	-
Total					9	1,138

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	880.25	+5.75	880.50	867.00	2,047	3,006
Jul	874.50	+6.00	875.00	860.00	55,663	102,538
Aug	844.50	+1.75	845.00	834.00	2,898	19,969
Sep	755.00	+2.25	755.00	747.00	1,002	9,156
Nov	709.75	+5.25	710.00	702.50	9,682	48,286
Jan	714.50	+4.00	715.00	708.00	469	3,361
Total					71,826	187,920

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.00	-0.08	24.10	23.82	794	829
Jul	24.24	-0.03	24.40	24.15	12,204	49,173
Aug	24.42	-	24.57	24.33	1,257	13,924
Sep	24.56	+0.01	24.67	24.48	892	8,329
Oct	24.62	-0.03	24.75	24.58	406	8,195
Dec	24.89	+0.01	25.00	24.80	1,890	18,655
Total					17,443	99,976

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	303.9	+5.9	304.0	298.1	4,668	6,883
Jul	290.7	+4.9	291.0	284.7	21,036	52,489
Aug	275.7	+3.2	275.6	271.5	5,569	16,364
Sep	256.1	+1.8	256.3	254.0	958	9,457
Oct	236.3	+2.5	236.3	232.8	393	9,618
Dec	228.1	+4.1	228.3	224.5	2,023	18,827
Total					34,822	116,584

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	30.0	-	-	-	-	-
Nov	58.5	+1.0	-	-	-	11
Mar	107.0	+1.0	-	-	-	-
Apr	118.0	+2.5	119.8	118.0	63	1,174
May	126.0	+2.0	-	-	-	-
Total					53	1,185

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
May	1310	-20	1335	1315	18	596
Jun	1280	-15	1300	1280	35	328
Jul	1195	-15	1195	1195	5	1,073
Oct	1330	-10	1330	1330	5	479
Jan	1345	-5	-	-	-	57
Apr	1380	-5	-	-	-	-
Total					63	2,533

	Close	Prev
BFI	1281	1279

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony**: 99.65%, $ per tonne, 2,150-2,275 (2,175-2,275). **Bismuth**: min. 99.99%, tonne lots 3.25-3.55 (3.10-3.35). **Cadmium**: min. 99.95%, cents a pound, 48.00-58.00 (48.00-53.00). **Cobalt**: MB free market, min. 99.8%, 24.75-25.90 (24.50-25.50); min. 99.3%, 21.80-22.80 (21.50-22.50). **Mercury**: min. 99.99%, $ per 76 lb flask, 158-168. **Molybdenum**: drummed molybdic oxide, 4.40-4.60 (4.40-4.65). **Selenium**: min 99.5%, 2.35-2.90 (2.35-3.00). **Tungsten ore**: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. **Vanadium**: min. 98%, CIF, 3.75-3.83 (3.73-3.83). **Uranium**: Nuexco unrestricted exchange value, 11.50.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	983	-17	-	-	-	80
Jul	1000	-16	1012	997	1,471	30,443
Sep	1017	-16	1029	1015	638	14,345
Dec	1012	-16	1023	1010	779	29,286
Mar	1020	-17	1025	1019	127	30,382
May	1031	-16	1039	1029	863	14,809
Total					5,368	138,387

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1390	-29	1410	1390	17	42
Jul	1409	-20	1422	1404	1,868	31,728
Sep	1439	-18	1448	1434	467	13,223
Dec	1470	-15	1478	1465	91	18,002
Mar	1494	-20	1501	1490	462	20,498
May	1514	-20	1517	1511	270	8,619
Total					3,199	94,255

■ COCOA (ICCO) (SDR's/tonne)

May 12	Price	Prev. day
Daily	1126.19	1126.94

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1765	+45	1775	1755	174	931
Jul	1817	+42	1835	1800	4,357	25,884
Sep	1832	+37	1850	1820	1,509	13,485
Nov	1835	+38	1850	1830	302	5,120
Jan	1810	+36	1830	1805	129	2,112
Mar	1790	+36	1790	1790	9	260
Total					6,489	47,795

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	261.00	+15.35	261.00	247.00	87	394
Jul	241.15	+11.50	243.00	231.55	7,072	15,871
Sep	215.20	+10.75	216.00	207.50	2,519	6,857
Dec	189.90	+10.15	185.75	181.50	841	4,681
Mar	174.15	+7.65	172.50	168.25	431	1,968
May	164.00	+5.50	164.50	164.00	38	292
Total					10,989	30,228

■ COFFEE (ICO) (US cents/pound)

May 12	Price	Prev. day
Comp. daily	168.99	163.88
15 day average	156.92	155.60

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	318.4	+1.8	318.5	316.6	1,631	12,437
Oct	307.5	+1.3	307.9	305.6	524	5,908
Dec	304.8	+1.2	304.9	304.0	97	1,640
Mar	304.1	+1.2	303.6	303.4	64	1,529
May	303.7	+1.4	303.0	303.0	6	679
Aug	304.0	+1.7	303.4	303.4	9	203
Total					2,360	22,512

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.11	+0.07	11.14	11.01	17,224	75,277
Oct	10.90	+0.03	10.92	10.83	4,789	40,643
Mar	10.80	+0.05	10.80	10.71	2,194	23,721
May	10.73	+0.06	10.72	10.67	205	5,766
Jul	10.67	+0.06	10.60	10.60	152	2,600
Oct	10.60	+0.06	-	-	2	582
Total					24,566	148,914

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.33	-0.32	72.75	72.10	12,572	39,002
Oct	73.59	-0.26	74.00	73.65	754	3,362
Dec	74.48	-0.19	74.75	74.30	4,110	24,997
Mar	75.73	-0.12	76.05	75.90	142	3,575
May	76.43	-0.12	-	-	76	913
Jul	76.83	-0.12	-	-	3	316
Total					17,627	73,836

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	78.40	-3.60	81.30	78.00	6,732	17,735
Sep	80.85	-2.15	83.00	80.50	475	6,490
Nov	83.15	-2.60	85.50	83.50	107	3,156
Jan	85.50	-3.00	86.00	85.50	185	1,485
Mar	88.60	-3.00	90.50	87.50	80	962
May	90.50	-3.00	92.50	92.50	1	216
Total					7,580	30,182

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

May 13	May 12	month ago	year ago
1984.0	1972.6	1853.9	2156.0

■ CRB Futures (Base: 1967 = 100)

May 12	May 9	month ago	year ago
251.40	249.53		

■ GSCI Spot (Base: 1970 = 100)

May 12	May 9	month ago	year ago
200.02	197.81	191.78	209.32

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-3,150	to	772,600
Aluminium alloy	-440	to	63,740
Copper	+525	to	152,125
Lead	-600	to	115,975
Nickel	+132	to	50,616
Zinc	-2,400	to	427,275
Tin	+190	to	11,370

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	65.725	-0.325	66.200	65.700	7,962	33,804
Aug	65.925	-0.375	66.300	65.825	6,223	32,423
Oct	69.225	-0.125	69.425	69.050	1,452	16,478
Dec	70.850	-0.125	71.100	70.800	1,799	9,400
Feb	71.100	-0.075	71.375	71.050	706	5,011
Apr	72.900	-0.150	73.000	72.750	140	1,536
Total					18,282	98,652

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	84.050	-0.625	84.750	84.000	4,054	16,379
Jul	84.600	-1.050	85.625	84.500	2,568	8,490
Aug	81.850	-1.225	83.150	81.700	1,143	7,504
Oct	75.075	-0.700	75.750	74.800	477	5,471
Dec	72.450	-0.525	72.950	72.300	268	3,519
Feb	70.700	-0.550	71.300	70.550	55	1,305
Total					8,891	43,679

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	85.950	-1.450	87.750	85.900	63	417
Jul	86.950	-1.475	89.000	86.800	2,078	6,851
Aug	85.225	-1.650	88.800	86.175	324	1,715
Feb	74.100	-0.725	75.900	74.075	49	338
Mar	74.050	-	75.000	-	1	9
Total					2,512	9,334

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1600	62	101	9	28
1700	11	47	57	72
1800	1	18	147	141

■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2300	163	124	3	61
2400	80	74	19	109
2500	27	41	66	174

■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1750	130	201	63	119
1800	103	175	86	143
1850	84	152	117	170

■ COCOA LIFFE	Jul	Sep	Jul	Sep
975	47	79	22	37
1000	34	65	34	46
1025	23	53	48	61

■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1900	-	-	-	-
1950	60	76	-	-
2000	-	56	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.41-8.60	-0.03
Brent Blend (dated)	$19.38-9.42	-0.04
Brent Blend (Jun)	$19.53-9.57	
W.T.I.	$21.21-1.23z	-0.04

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$210-212	+1
Gas Oil	$177-179	-0.5
Heavy Fuel Oil	$80-82	
Naphtha	$177-179	+1
Jet fuel	$191-192	-1
Diesel	$184-185	-0.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	11.4-11.6	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Jun)	11.505	+0.235

■ OTHER

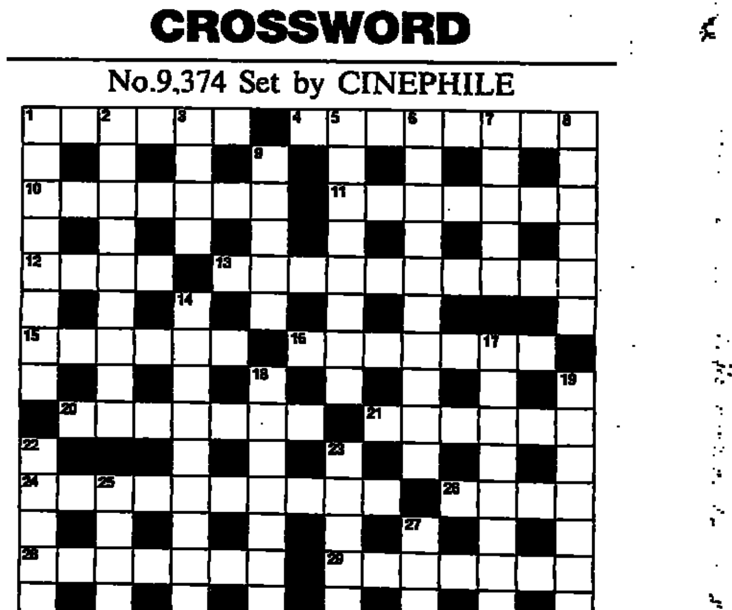
Gold (per troy oz)♣	$348.15	-1.90
Silver (per troy oz)♣	485.00c	-8.00
Platinum (per troy oz.)	$388.50	-2.50
Palladium (per troy oz.)	$170.00	+0.75
Copper	118.0c	
Lead (US prod.)	46.00c	
Tin (Kuala Lumpur)	14.45r	+0.05
Tin (New York)	274.5	-1.0
Cattle (live weight)	92.67p	+2.26*
Sheep (live weight)	147.82p	+5.48*
Pigs (live weight)†	110.27p	+0.15*
Lon. day sugar (raw)	$274.40	+2.70
Lon. day sugar (wte)	$321.80	+3.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	70.75p	+0.25
Rubber (Jul)♥	70.75p	+0.25
Rubber (KL RSS No1)	271.5x	+1.0
Coconut Oil (Phil)§	685.0y	+2.5
Palm Oil (Malay.)§	557.5z	-2.5
Copra (Phil)§	$435.0y	
Soyabeans (US)	225.0	-4.0
Cotton Outlook 'A' Index	79.25c	+0.30
Wooltops (64s Super)	410p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jun London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 2,321 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,374 Set by CINEPHILE



T has the same meaning wherever it occurs in the clues.

ACROSS
1 T for those having a quiet rest? (6)
4 Caledonian, initially among the drunken (8)
10 Thoroughgoing exposure of cad and liar (7)
11 Filling stuff with seaweed in a little measure (7)
12 T in place of a bad habit (4)
13 Unbroken ice keeps non-English bird from the French (2,3,5)
15 It turns into 12 – that's the idea (6)
16 Security for one's residence? (7)
20 T is a quarrel about publicity (7)
21 Boy inclined to wander (6)
24 Weed remains at public school (4-8)
26 Nothing but water (4)
28 Father's half breviary backed by warning in Latin (4,3)
29 Watcher vetted turning point (7)
30 Owe two pounds, being in the red: applied vet's T (8)
31 Masculine wiles to suit (6)

DOWN
1 Ship's anti-mine device makes gunners dance around (8)
2 At home, Christian keeps a pet, and it shows (9)
3 Movement of the immovable? (4)
5 T was raised under 22 yards (5-3)
6 Transportation by the P & O system is just right for the spring (10)
7 Fire with nook, a non-starter on its own (5)
8 T seems an over-actor (6)
9 T for tree? (5)
14 T, cheat of low degree? (4,6)
17 T user gets fish to come in (9)
18 Europe in confusion: weight lifted first by piece of India (3-5)
19 T is kitschy, taking nothing less than noughts (8)
22 See 25
23 Only about five find the answer (5)
25, 22 T giving wages to chauffeur? (5-6)
27 T does sums for the audience (4)

Solution 9,373

Russian talks hit platinum, palladium

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GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424948335

Fidelity Funds - Contd.

Bond Funds	Init Charge	Notes	Selling Price	Buying Price	+or -	Yield Gr's
European			Ecu71.88		+0.04	6.60
International			$1.028		-0.003	5.42
US Dollar			$5.588		+0.017	6.04
Sterling			£0.286		—	7.21
Balanced						
European Balanced			DM18.19		+0.11	1.22

Prices as at May 12

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg

Fleming Flagship Series II (Daily Dealing)

	Selling Price	+or -	Yield Gr's
DM Class F	DM12.478	+0.003	2.67
FFr Class F	FFr64.468	+0.004	2.85
ITL Class F	L22315	+4.000	5.85
£ Class F	£5.284	+0.001	5.70
US$ Class F	$12.112	+0.004	5.35

Foreign & Colonial Emerging Markets Ltd (u)
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

Mercury Asset Management - Contd.

ACM Global Investment - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Eagle Star Intl Life - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Global Investment

OFFSHORE INSURANCES

[illegible]

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Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
GSAM Money Mkt US$	$101.77		+0.01	4.79
Do Sterling	£101.93		+0.02	5.39
Do Swiss Franc	SFr100.34		+0.01	0.70
Do Deutschmark	DM100.74		–	2.00
GAMSAM Omega Inc	$99.57		+1.83	–
GSAM Oracle	$183.83		–	–
GAM Strategic				
Diversity Strategic A	138.31		–	–
Diversity Strategic B	135.15		–	–
European Strategic A	142.29		–	–
European Strategic B	136.35		–	–
Trading Strategic A	130.83		–	–
Trading Strategic B	128.32		–	–
Developing Mkts Strategic A	135.29		–	–
Developing Mkts Strategic B	136.14		–	–

	Selling Price	Buying Price	+ or -	Yield Gross
JF Japan OTC Tst	Y936	991	–3	–
JF Japan Small Co	Y34775	36790	–609	–
JF Japan Tech Tst	Y30918	32710	–290	–
JF Korea Trust	$7.62	8.07	–0.17	–
JF Malaysia Tst	$31.89	33.74	–0.46	–
JF New Zealand Tst	$19.61	20.75	+0.14	–
JF Pacific Inc Tst(z)	$14.89	15.75	–0.04	–
JF Pacific Smlr Cos Tst	$7.38	7.80	+0.07	–
JF Pacific Secs Tst(z)	$93.25	98.92	–0.13	–
JF Pakistan Trust	$3.41	3.62	–0.02	–
JF Philippine Tst	$93.90	99.35	–1.07	–
JF Taiwan Trust	$17.56	18.53	–0.55	–
JF Thailand Tst	$23.25	24.60	–0.28	–
JF India	$24.66	26.12	–0.12	–
JF Indonesia Trust	$11.49	12.17	+0.06	–

Global Asset Management - Contd.

GAM Select	Selling Price	Buying Price	+ or -	Yield Gross
Select Asean Class A	$97.44		–	–
Select Asean Class B	$95.31		–	–
Select European A	$123.06		–	–
Select European B	$115.31		–	–
Select Japan A	$119.66		–	–
Select Japan B	$123.05		–	–
Select Money Markets A	$107.59		+0.01	–
Select Money Markets B	$103.15		–	–
Select North America A	$110.62		–	–
Select North America B	$127.47		–	–

Jardine Fleming Unit Trusts Ltd - Contd.

International Funds	Selling Price	Buying Price	+ or -	Yield Gross
JF American Growth Tst	$31.85	33.70	+0.30	–
JF Continental Euro Tst	$4.76	5.05	+0.02	–
JF European Tst(z)	$20.94	22.16	+0.10	–
JF Germany Tst	DM15.08	15.96	+0.04	–
JF Global Bond & Currency Fd	$17.33	18.34	+0.07	7.2
JF Global Convertibles Tst	$14.81	15.67	+0.07	–
JF Global Securities Tst	$26.48	28.02	+0.18	–
JF International Bond	$10.44	10.83	+0.11	–
JF Managed Currency Fd	$15.44	16.35	+0.02	–

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£25	—	*£31¼	£20¾	1,918	3.0	ϕ
Barlow	§	[illegible]	[illegible]	[illegible]	[illegible]	1,379	2.2	14.1
Gold Flds Prop R	†	130	-2	171½	120	14.1	6.5	10.3
SA Brews		£17¼	[illegible]	£24¼	£13⅛	6,278	2.2	ϕ
Standard Bank		2291¼	[illegible]	£31⅛	£21	3,095	1.2	28.1
Tiger Oats		1045	-7	1150	770	1,572	1.7	20.6
Tongaat-Hulett		789¼	-9½	1125	676¼	738.3	2.6	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(g) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg.
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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

New high for Footsie despite late setback

MARKET REPORT

By Philip Coggan, Markets Editor

Shares in London rose and fell in tune with the mood on Wall Street yesterday and even some slightly discouraging domestic news failed to stop the FTSE 100 index recording its eleventh consecutive rise.

Monday's 123 point jump in the Dow Jones Industrial Average gave the UK stock market a flying start. Some of the market's bigger stocks were also lifted by the renewal of takeover speculation following the announcement of the merger between Guinness and GrandMet. Pharmaceuticals benefited from bid talk in the morning while banks made the running in the afternoon.

Footsie set its sights on a new target of 4,700 and passed it with ease. At its peak, the leading index had climbed by 50.7 points to a new all-time intra-day record of 4,720.3.

The mood changed at 11.30am, however, with the release of the Bank of England's quarterly report on inflation. Some encouraging comments from Mr Eddie George, the Bank governor, had helped UK shares on Monday.

But the report highlighted the need for further interest rate rises if the government was to meet its inflation target in two years' time. Shares lost around a third of their gains over lunch.

The second hit came in the late afternoon when the Dow Jones Industrial Average, which started the session slightly firmer, lost ground on Treasury bond weakness and was around 22 points lower at the London close.

That took the shine off Footsie's gains but the market still ended 21.4 points ahead at yet another all-time high. Smaller stocks once again failed to keep pace. The FTSE 250 edged up 6.6 to 4,533.0, while the SmallCap gained only 3.8 to 2,317.8.

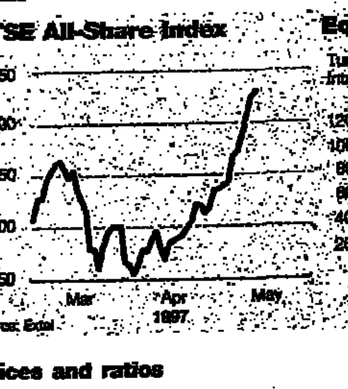
Against the recent trend, the gilt market was of little help to equities. The benchmark 10-year gilt dropped by around a fifth of a point while the 20-year issue was unchanged.

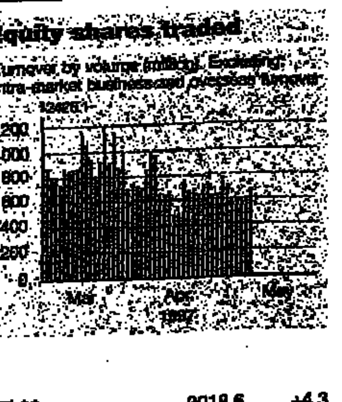
Many analysts argue that the fall in gilt yields over the last week gives support to the valuations of the equity market, despite its recent strong rise. Shares do not look expensive, compared with the last 10 years at least, on a yield ratio basis (by which gilt yields are compared with the dividend yield) or on an earnings yield basis.

Mr Mark Tinker at UBS raised his end-year Footsie forecast on Friday to 4,600 from 4,300. "The corporate sector is making a lot of money and distributing it to investors, who are finding it that the return on cash is still poor and the return on gilts is falling," he says. "The UK market feels like the US did a couple of years ago. People said it must fall, but it kept going up and they were forced to chase it higher."

However, some strategists are cautious. Mr Steve Wright of Barclays de Zoete Wedd is concerned about the effect of sterling's strength and on the slow growth of corporate profits – he is expecting only 5 per cent rise in earnings this year.

Volume yesterday was 950.2m shares at the 6pm count, of which 51.7 per cent was in non-Footsie stocks.





Indices and ratios

FTSE 100	4691.0	+21.4	FT 30	3018.6	+4.3
FTSE 250	4533.0	+6.6	FTSE Non-Fins p/e	19.00	18.91
FTSE 350	2271.6	+9.0	FTSE100 Fut Jun	4705.0	+21.0
FTSE All-Share	2230.66	+8.47	10 yr Gilt yield	7.02	6.99
FTSE All-Share yield	3.45	3.46	Long gilt/equity yld ratio	2.05	2.09

Best performing sectors

1 Pharmaceuticals .... +2.1
2 Oil Exploration .... +1.9
3 Water .... +1.5
4 Other Financial .... +1.5
5 Tobacco .... +1.3

Worst performing sectors

1 Alcoholic Beverages .... −1.7
2 Diversified Inds .... −1.2
3 Insurance .... −0.8
4 Paper: Pckg .... −0.4
5 Telecommunications .... −0.4

Abbey hogs the limelight

By Peter John and Joel Kibazo

The sprit of agrarian reform appears to driving the banking sector with crop rotation replaced by stock rotation.

Fund managers fighting to build up weightings ahead of the Halifax building society flotation at the start of June yesterday selected **Abbey National** and **Royal Bank of Scotland** as their picks of the day.

And the sudden spike in the respective share prices during late trading was accompanied by the almost inevitable takeover speculation.

The rationale was that BAT Industries was going to take over Abbey and HSBC was poised to take over Abbey or RBoS, or possibly both. One analyst suggested, however: "You would have to be mad to have a go at Abbey at this level and so close to flotation, while HSBC has continually stressed it is more interested in Latin America."

In any case, Abbey jumped 38½ to 957½p while Royal Bank followed slightly behind in percentage terms with a rise of 25½ to 649½p.

Meanwhile, previous beneficiaries of the bank sector's climb slipped back. **National Westminster** shed 17 to 798½p and **HSBC** 8½ to £18.20p in the ordinaries.

The drinks sector remained active yesterday as bid speculation moved to **Allied Domecq**.

The group reported flat interim profits at £317m and an unchanged dividend of 9.44p. Shares in the group raced ahead in celebration that the figures were ahead of analysts' worst fears. One analyst said: "It makes a change not having to downgrade profit expectations after an Allied set of results."

However, dealers also pointed out that the results highlighted the weak position of Allied in the international drinks sector and several indicated that the company may have to become part of a group that will challenge a merged **Guinness** and **Grand Metropolitan**.

The talk sent the group's shares soaring to close 17 up at 463½p in heavy trade of 6.9m. Several pointed to Canadian group Seagram as a possible suitor.

Analysts at Sutherlands urged investors to buy the shares on weakness, saying Allied will benefit from the current restructuring taking place in the spirits sector.

Meanwhile profit-taking after Monday's heady rise saw both Grand Metropolitan and Guinness surrender some of their strong gains. The former fell 16 to 575½p, while the latter eased 18 to 584½p, the worst performer in the FTSE 100 index. Both stocks remained busy trades with a total of 28m shares dealt by the close.

SGST was said to have lowered its recommendation from "buy" to "hold" while Kleinwort Benson was reported to have turned more cautious.

But NatWest Securities yesterday said: "The proposed merger is the logical outcome of the competitive pressures on the industry over the past few years and the high degree of market fragmentation. The two spirits operations are an excellent fit."

Cairn Energy, the sizeable second-line oil independent, bounced sharply in late trading as encouraging news trickled out of India.

The company recently announced a tie-up with Shell in Bangladesh to work work on a 50:50 basis in applying for new acreage.

At a joint presentation in India, analysts and investors were told the available acreage could provide up to 20,000bn cubic feet of gas. This compared with previous estimates of about 5,000bn cubic feet.

Mr John Toalster of SocGen, which is broker to the company, said: "The potential upside is far greater than anyone previously expected. It's early days yet but could translate to £12.00p a share."

Cairn, which has retreated more than 130p since the Shell link was announced in March, recovered 31½p to 541p. **Shell Transport** benefited from the recent surge in oil prices and closed 15¼ higher at £11.57p.

Leading pharmaceuticals, which tend to be heavily exposed to movements on Wall Street, moved higher and received a sudden fillip around mid-morning as a sharp squeeze developed.

At one stage, **Glaxo Wellcome** and **SmithKline Beecham** were both up 60 points and between them represented 20 points on the FTSE 100 index.

In tandem, a bizarre rumour circulated that Roche had told its senior executives that all leave for July was cancelled. Roche has long been mooted as a possible bidder for either SmithKline or Zeneca. By the close, the situation had eased and Glaxo was up 33 at £12.44½p, SmithKline 22 to £10.64p and Zeneca 24½ at £19.67½p.

Elsewhere in the sector, **Cortecs International** lifted 25 to 268½p in response to positive trial data on its osteoporosis treatment.

Biotech stocks were sold. **Chiroscience** dipped 15 to 316p as the company revealed the progress of its asthma treatment. And Celltech, which is due to reveal more information about its septic shock treatment within the next fortnight, fell 27½ to 622½p.

Turnover in BTR rose to a hefty 39m, by far the day's busiest trade, as the recent profits warning and calls for a change in management strategy continued to depress the stock. The shares lost another 5½ to 213½p, while the 1997 warrants eased 1 or 17.39 per cent to 4¾p.

Property group **Hammerson** was the most active FTSE 250 constituent following a placing by BZW's property team. Turnover was 29m after BZW, the group's broker, placed 15m shares – around 5 per cent of the group's issued share capital – at 454p, well below the prevailing market price. The stock was said to have come from one of the accounts of Hermes, the pension fund manager. Shares in Hammerson fell 9½ to 456½p.

Retail group **Sears** hardened 1½ to 78p in trade of 12m with Merrill Lynch rumoured to have been shopping for the stock.

W H Smith Group fell 9½ to 470½p, with SBC Warburg said to have downgraded its recommendation from "buy" to "hold".

Bid speculation continued to drive **Cadbury Schweppes**, which rose 14½ to 566½p.

Shares in **Christies International** jumped 19 to 322½p, the best performer in the FTSE 250, after it said Abel, the vehicle for Bahamas-based investor Mr Joseph Lewis, had bought 3m shares, raising its holding to 29.57 per cent of the group's issued ordinary share capital and 27.61 per cent of the voting capital.

Severn Trent rose 20½ to 781½p as one US broker tried to fill a short position.

FT 30 INDEX

	May 13	May 12	May 9	May 8	May 7	Yr ago	*High	*Low
FT 30	3018.6	3014.3	2960.3	2947.0	2947.9	2801.7	3018.6	2668.8
Ord. div. yield	3.63	3.64	3.71	3.73	3.78	3.86	4.22	3.75
P/E ratio net	18.30	18.25	17.87	17.77	17.67	16.48	18.30	15.80
P/E ratio nil	18.12	18.06	17.68	17.58	17.49	16.25	18.12	15.71

FT 30 since compilation: high 3018.6 12/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3024.6	3025.9	3019.8	3027.7	3030.2	3027.0	3026.2	3025.0	3018.5	3034.5	3016.3

	May 13	May 12	May 9	May 8	May 7	Yr ago
SEAQ bargains	60,979	63,069	59,647	47,166	53,124	32,965
Equity turnover (£m)†	-	NA	2675.2	2332.2	2306.6	1725.3
Equity bargains†	-	NA	52,640	41,513	47,608	37,890
Shares traded (ml)†	-	NA	767.6	683.8	600.8	703.9

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	848	Total Highs	192	Total contracts	92,958
Total Falls	729	Total Lows	51	Calls	63,313
Same	1,498			Puts	29,645

May 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4648.0	4684.0	+33.0	4690.0	4627.0	14790	68954
Sep	4672.0	4715.0	+31.0	4716.5	4666.0	319	3579
Dec	-	4759.0	+33.0	-	-	0	320

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4555.0	4555.0	+10.0	4555.0	4555.0	815	5446

■ FTSE 100 INDEX OPTION (LIFFE) (*4689) £10 per full index point

	4500		4550		4600		4650		4700		4750		4800		4850	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
May	195	1	145	1	97	2½	52	9½	19	28	4	65½	1	115	1	165
Jun	226½	21½	184	28½	146	40	118	55½	79	75½	53	100½	32½	132	18	170½
Jul	259	38	228½	49	181½	60½	147	77	113½	94½	87½	119	64½	147½	46½	182½
Aug	265	49½	227	61	181	75½	169	93½	128½	113	105	140	82	168	64	201½
Dec†	368	96			294½	128			228½	163			177	211½		

Calls 26,362 Puts 9,948

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4525		4575		4625		4675		4725		4775		4825		4875	
May	168	1	119½	1½	73	5	34½	16½	11½	42½	2	84	1	132	1	182
Jun	203½	24½	163½	34	128½	47	93	63½	66	86	44	113½	28	147	16½	185
Jul	235½	40½	197	51	161	64½	128½	81½	100	102½	76½	127½	55½	156½	39½	190½
Sep	279½	72½			211	102			150	139			101½	188		
Dec†	345	99½			276	128½			216	163			185½	209		

Calls 20,499 Puts 12,766 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,504	655	532½	Alliance & Leic	602	-11½	L16.3	2.5	3.4	14.8
§	F.P.	107.3	1200	912½	Aston Villa	937½	-37½	R8.8	1.8	1.2	51.5
§100	F.P.	25.2	101	99	Aurora Inv Trust	101		-	-	-	-
-	F.P.	4,296	306½	284	Cable & Wireless	288½	+2	-	-	-	-
§40	F.P.	12.6	65	54½	†Charlton Athltc	57½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	16.3	150½	132½	†Comino	147½		2.25	4.6	1.9	13.8
§	F.P.	13.0	86	70½	Donatantonio	86	+3	0.5	ϕ	0.7	ϕ
-	F.P.	12.6	127½	122½	†Dragons Hlth Clbs	125½		-	-	-	23.7
§175	F.P.	25.6	212½	198	Heal's	210½	-2	13.9	3.1	2.3	15.4
§	F.P.	7.18	164½	160	†ITG	160		-	-	-	-
§110	F.P.	5.26	130½	122½	†Lady in Leisure	126½		b-	-	-	-
§	F.P.	3.69	117½	112½	Longbridge Intl	117½		-	-	-	16.4
-	F.P.	178.4	99½	97½	Mrtn Currie I&G Inc	98		M7.4	-	9.4	-
-	F.P.	6.16	93½	87½	Do Cap	91½		-	-	-	-
50	F.P.	19.6	54½	47½	†NMT	50		-	-	-	-
§135	F.P.	174.8	144½	114	Newcastle Utd	122	-1	u1.6	-	1.6	-
*	F.P.	1.74	29½	28½	†Northstar Secs	29		-	-	-	-
	F.P.	5.75	115	95	Oxford Tech Vent	115		-	-	-	-
-	F.P.	32.2	172½	157½	Partners Hldgs	172½	+1	a-	-	-	19.9
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	18.2	65	38½	†Petra Diamonds	62½		-	-	-	-
-	F.P.	0.63	40	13½	†Do Warrants	37½		-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		Q23%	-	1.5	-
§117	F.P.	16.1	124½	120½	Salehurst	121½		L3.75	1.3	3.9	19.4
§100	F.P.	10.3	105½	102½	†Soccer Investmnt	103½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 12	% chg on day	May 9	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1810.13	0.0	1810.93	2365.68	2.11	-	2376.96	1468.80
■ Regional Indices								
Africa (14)	1847.41	+2.6	1800.32	3175.65	4.82	29.31	3197.52	1724.86
Australasia (6)	1810.82	+1.7	1781.13	2707.72	2.95	19.76	2707.72	1757.55
North America (11)	1524.23	-1.3	1544.32	2087.73	0.85	62.80	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 13	Day's chge%	May 12	May 9	May 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4691.0	+0.5	4669.6	4630.9	4580.4	3759.7	3.46	2.06	17.54	70.67	1994.61
FTSE 250	4533.0	+0.1	4526.4	4526.2	4510.4	4509.8	3.58	1.54	22.67	84.12	1884.34
FTSE 250 ex IT	4549.0	+0.1	4543.2	4547.1	4533.9	4549.8	3.71	1.57	21.46	86.68	1896.40
FTSE 350	2271.6	+0.4	2262.6	2247.5	2226.2	1904.9	3.48	1.96	18.34	33.80	1972.48
FTSE 350 ex IT	2271.8	+0.4	2262.6	2247.5	-	-	3.51	1.97	18.09	1.48	1011.47
FTSE 350 Higher Yield	2207.0	+0.4	2198.1	2179.6	2155.3	1826.8	4.48	1.84	15.19	39.68	1622.27
FTSE 350 Lower Yield	2342.1	+0.4	2332.9	2321.5	2303.5	1990.3	2.45	2.19	23.30	27.46	1665.70
FTSE SmallCap	2317.81	+0.2	2314.04	2308.08	2301.60	2232.88	3.01	1.71	24.29	26.95	1959.25
FTSE SmallCap ex IT	2313.21	+0.1	2310.93	2306.73	2302.62	2230.76	3.23	1.78	21.86	29.00	1971.33
FTSE All-Share	2230.66	+0.4	2222.19	2208.01	2188.16	1890.25	3.45	1.94	18.67	32.66	1965.64
FTSE All-Share ex IT	2230.75	+0.4	2222.12	2208.01	-	-	3.49	1.96	18.28	1.40	1010.90

■ FTSE Actuaries Industry Sectors

	May 13	Day's chge%	May 12	May 9	May 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4328.20	+0.9	4287.90	4242.27	4196.92	3509.65	3.52	2.02	17.61	85.94	1937.71
12 Extractive Industries(5)	4298.24	+0.7	4266.63	4258.23	4234.30	4687.93	3.66	2.38	14.31	104.80	1313.84
15 Oil, Integrated(3)	4481.04	+0.9	4443.02	4386.42	4334.35	3506.74	3.71	1.96	17.23	90.91	2062.63
16 Oil Exploration & Prod(12)	3580.69	+1.9	3492.61	3480.55	3456.19	2490.23	1.62	2.20	35.02	36.78	2180.80
20 GEN INDUSTRIALS(269)	1941.57	-0.2	1945.63	1951.56	1950.93	2140.71	4.12	1.91	15.90	31.31	1103.44
21 Building & Construction(35)	1402.72	+0.3	1398.63	1395.99	1393.16	1228.39	3.08	1.97	20.56	22.49	1217.88
22 Building Matls & Merchs(31)	1881.05	-0.2	1885.26	1896.65	1889.35	1979.03	4.27	2.77	10.57	34.84	990.48
23 Chemicals(26)	2332.02	+0.5	2321.44	2308.11	2295.51	2534.75	4.50	1.46	18.99	39.07	1151.31
24 Diversified Industrials(16)	1357.75	-1.2	1373.69	1400.77	1407.77	1792.67	5.34	1.97	11.86	36.17	804.19
25 Electronic & Elect Equip(38)	2116.20	+0.4	2107.31	2113.68	2120.25	2448.43	3.72	1.56	21.51	14.36	1131.38
26 Engineering(69)	2513.24	-0.4	2523.07	2521.94	2519.55	2481.06	3.37	2.48	15.07	31.12	1573.88
27 Engineering, Vehicles(13)	2767.12	-0.1	2769.00	2747.07	2742.38	3020.29	4.03	‡	‡	38.40	1481.22
28 Paper, Pckg & Printing(27)	2298.44	-0.4	2308.78	2320.54	2332.05	2802.17	4.55	1.87	14.65	41.86	996.81
29 Textiles & Apparel(14)	1058.08	-0.3	1061.71	1066.42	1066.58	1410.53	6.66	0.96	19.58	29.41	688.19
30 CONSUMER GOODS(84)	4551.18	+1.1	4502.34	4385.32	4373.30	3483.60	3.34	1.81	20.65	80.85	1754.90
32 Alcoholic Beverages(7)	3300.26	-1.7	3356.86	2967.68	2998.36	2871.43	4.02	1.88	16.58	62.64	1249.47
33 Food Producers(25)	2994.10	+0.7	2974.58	2926.64	2910.77	2481.80	3.69	1.85	18.35	56.21	1413.13
34 Household Goods(17)	3028.52	+1.3	2990.41	3002.29	3021.98	2693.37	3.43	2.30	15.84	53.41	1244.93
36 Health Care(15)	2218.79	+0.2	2214.06	2211.94	2209.72	2103.98	2.67	1.63	28.62	31.74	1390.74
37 Pharmaceuticals(18)	7319.12	+2.1	7168.26	7088.16	7052.34	4858.64	2.52	1.71	28.88	104.77	2569.37
38 Tobacco(2)	4493.08	+1.3	4435.91	4484.85	4424.89	4154.97	6.03	1.87	11.08	147.58	1196.00
40 SERVICES(271)	2711.26	+0.3	2702.60	2687.32	2691.68	2531.72	2.87	1.96	22.23	27.54	1452.90
41 Distributors(30)	2732.31	-0.3	2740.55	2755.65	2748.90	2939.81	3.36	1.94	19.23	38.25	1041.93
42 Leisure & Hotels(31)	3516.02	+0.1	3511.38	3452.54	3467.55	3217.90	2.59	1.77	27.18	58.82	1945.83
43 Media(44)	4415.77	+0.2	4407.07	4377.46	4398.70	4264.61	2.22	1.97	28.60	55.29	1638.47
44 Retailers, Food(15)	2116.01	+0.4	2108.17	2092.78	2095.15	2009.71	3.81	2.23	14.71	22.51	1393.40
45 Retailers, General(53)	2137.52	+0.5	2126.48	2122.28	2115.74	2060.65	3.12	2.07	19.32	15.05	1257.76
47 Breweries, Pubs & Rest.(22)	3315.78	+0.5	3300.83	3310.69	3326.95	3150.60	3.32	2.07	18.18	18.26	1636.23
48 Support Services(54)	3002.84	+1.0	2973.05	2937.55	2935.27	2363.50	1.73	2.62	27.63	20.48	1952.29
49 Transport(22)	2808.82	-0.1	2812.83	2797.42	2804.57	2447.61	3.46	1.27	28.45	30.52	1213.88
60 UTILITIES(31)	2826.03	+0.2	2820.28	2811.16	2772.61	2391.69	4.79	1.54	16.95	16.92	1289.79
62 Electricity(9)	3122.68	+0.5	3107.83	3100.41	3036.74	2799.96	5.55	2.15	10.46	22.08	1724.77
64 Gas Distribution(2)	1643.55	+0.8	1630.09	1613.27	1579.62	1313.18	7.42	‡	‡	68.13	938.74
66 Telecommunications(8)	2332.01	-0.4	2341.54	2331.71	2313.57	1971.67	3.63	1.74	19.86	0.39	1101.09
68 Water(12)	2632.09	+1.5	2594.33	2603.68	2558.01	2101.12	5.66	2.33	9.48	0.00	1522.31
69 NON-FINANCIALS(675)	2241.34	+0.5	2230.95	2210.52	2202.85	2012.14	3.56	1.85	19.00	30.86	1772.20
70 FINANCIALS(106)	4424.57	+0.1	4419.15	4433.28	4310.47	2907.45	3.25	2.37	16.19	83.03	1994.76
71 Banks, Retail(8)	6657.69	+0.2	6643.99	6687.54	6474.23	3937.32	3.02	2.65	15.62	128.12	2277.82
73 Insurance(18)	1856.53	-0.8	1871.44	1876.14	1830.46	1519.78	4.67	2.46	10.87	54.22	1483.54
74 Life Assurance(7)	5198.36	-0.4	5217.44	5220.22	5028.61	3617.11	3.39	1.96	18.78	121.00	2270.65
77 Other Financial(29)	3330.85	+1.5	3283.08	3251.83	3217.74	2565.48	3.15	1.93	20.58	36.34	1969.49
79 Property(44)	2005.27	.....	2004.55	1993.92	1981.62	1570.89	3.19	1.31	29.96	13.53	1276.70
80 INVESTMENT TRUSTS(127)	3400.58	+0.2	3394.52	3369.88	3342.83	3236.90	2.15	1.14	50.84	24.41	1213.52
89 FTSE All-Share(908)	2230.66	+0.4	2222.19	2208.01	2188.16	1890.25	3.45	1.94	18.67	32.66	1965.64
105 FTSE All-Share ex IT(781)	2230.75	+0.4	2222.12	2208.01	-	-	3.49	1.96	18.28	1.40	1010.90
FTSE Fledgling	1301.27	.....	1301.60	1300.84	1298.53	1249.83	3.00	0.78	53.38	15.15	1400.64
FTSE Fledgling ex IT	1317.83	-0.1	1318.75	1318.64	1317.15	1259.05	3.29	0.75	50.28	14.29	1419.48
FTSE AIM	1092.3	-0.3	1095.7	1094.9	1094.3	-	0.93	1.06	80.00†	0.13	997.83

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4685.5	4685.3	4692.1	4701.2	4710.9	4707.0	4703.0	4698.1	4689.3	4720.3	4676.8
FTSE 250	4535.3	4535.2	4537.4	4537.6	4538.8	4537.9	4538.0	4536.8	4532.9	4539.4	4531.1
FTSE 350	2269.7	2269.6	2268.6	2276.1	2280.0	2278.4	2276.8	2274.8	2271.0	2283.6	2268.5
FTSE SmallCap	2316.48	2316.36	2316.96	2317.51	2317.47	2317.95	2318.41	2318.37	2317.96	2318.56	2316.31
FTSE All-Share	2226.82	2226.73	2227.80	2234.67	2238.25	2236.82	2235.43	2233.58	2230.06	2241.55	2225.93

Time of FTSE 100 Day's high: 11:25 AM Day's low: 9:40 AM. FTSE 100 1997 High: 4691.0 (13/05/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 11:25 AM Day's low: 9:40 AM. FTSE All-Share 1997 High: 2230.70 (13/05/97) Low: 1988.78 (02/01/97)

Further information is available on http://www.ftse.com or contact FTSE International on +44 (0)171 448 1810.
 "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. Name Change: P & P to Skillsgroup (FTSE SmallCap) & (48).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,800	514½	-8½
ASDA Group†	14,400	119½	-¼
Abbey National†	5,000	957½	+38½
Airtours	311	944½	-8
Albert Fisher	1,300	40	+¼
Alliance & Leicester	2,900	602	-11½
Allied Domecq†	6,900	463½	+17
Anglian Water	819	693½	+12½
Argos	967	620½	-2½
Arjo Wiggins	1,300	187	+1
Assoc. Brit. Foods†	180	556	+4
Assoc. Brit. Ports	216	278½	-1
BAA†	1,400	529½	-1
BAT Inds.†	8,600	541½	+8
BBA	815	315	-5
BICC	760	193	-2
BOC†	2,100	984½	+8½
BG†	8,600	181½	+1
BP†	7,300	742½	+3
BPB	2,000	327	+5½
BSkyB†	1,800	571½	-5
BT†	18,000	452½	+½
BTR†	39,400	213½	-5½
Bank of Scotland†	5,700	428½	+10
Barclays†	4,700	1252½	-½
Bass†	1,800	809½	+½
Blue Circle†	1,700	423½	-½
Booker	846	314½	+2½
Boots†	1,500	736	+11½
Britannic	274	891½	-1
Brit. Aerospace†	1,800	1275½	-25½
British Airways†	2,800	711½	+5
British Biotech	1,400	250	+6½
British Energy	4,900	143	+1½
British Land†	2,900	602½	+2½
British Steel†	7,500	147½	-2¼
Burmah Castrol†	2,000	1042	+8½
Burton†	708	154¼	+¼
Cable & Wire†	4,900	512½	-4
Cadbury Schweppes†	6,000	566½	+14½
Caradon	1,300	234½	-3
Carlton Comms.†	771	538	-6½
Centrica†	10,500	62¾	+1
Chubb	49	447	-1
Coats Viyella	1,200	126	-2
Comm. Union†	5,000	749½	+2
Compass	7,800	662	+9½
Cookson	2,000	224½	-1½
Courtaulds	1,200	320	+1½
Dalgety	937	284	+1
De La Rue	5,300	527½	-7
Dixons†	1,500	523½	-2
EMAP	433	741½	-8
EMI†	889	1290	+½
Electrocomps	2,500	398½	
Energy Group†	2,500	529½	+7
Enterprise Oil†	2,100	656½	+10½
FKI	1,400	174½	-3½
Foreign & Col. I.T.	988	162¼	+½
Gen. Accident†	1,600	957½	-5½
General Elect.†	5,900	368	+3½
Glaxo Wellcome†	8,200	1244½	+33
Glynwed	478	254½	-½
Granada†	4,000	927½	-1
Grand Met.†	12,600	575½	-16
GUS†	673	677½	+8
Greenalls	399	510½	+2
GRE†	8,700	307	-8½
GKN†	324	957	-1½
Guinness†	16,000	584½	-18
HSBC (75p shs)†	5,400	1820	-8½
Hammerson	28,700	456½	-9½
Hanson†	2,400	329½	
Harrisons Crosfield	2,300	102	-1½
Hays†	1,200	575	+7
Hillsdown	897	177	
Hyder	134	858½	+13
IMI	918	360½	+2½
ICI†	7,800	789½	+2½
Imperial Tobacco†	1,500	401½	-1½
Inchcape	607	287½	
Johnson Matthey	544	490½	+1
Kingfisher†	1,500	711	+1½
Kwik Save	325	280½	-2
Ladbroke†	5,300	254½	+½
Land Securities†	5,700	876	+5
Laporte	346	626½	+8½
Legal & General†	11,500	473	-5
Lloyds TSB†	9,900	615	
LASMO†	3,200	241	+6½
Lonrho	2,200	138	+1½
LucasVarity†	10,600	197	-½
MEPC	3,200	494	-1
MFI	1,800	136	-1
Marks & Spencer†	3,400	519½	+2
Mercury Asset Man†	847	1446½	+40
Morrison (Wm.)	56	160	+1½
NFC	281	138	-2
NatWest Bank†	7,300	798½	-17
National Grid†	2,000	220	-1
National Power†	4,400	551½	+3
Next†	836	705	+8½
Northern Foods	1,200	205½	-½
Orange†	2,700	223½	+2
Pearson†	2,600	746	-3½
P & O†	1,500	621	-8½
Pilkington	11,500	115½	-1½
PowerGen†	2,000	668½	+10
Premier Farnell	3,000	461	-3½
Provident Financial	1,300	631½	+10
Prudential†	4,800	558½	-½
REXAM	1,400	289	-4
RMC†	300	937½	-8
RTZ†	2,500	1014½	+8½
Racal	1,800	220½	-5
Railtrack†	1,700	494½	-7
Rank Group†	3,800	452	+½
Reckitt & Colman†	5,300	889	+16½
Redland	3,300	330½	-7½
Reed Intl.†	3,200	620	
Rentokil Initial†	4,100	424	+4½
Reuters†	2,400	701½	+15
Rolls Royce†	3,100	245	+1½
Royal & Sun Allce†	8,100	513	-10½
Royal Bk Scotland†	2,700	649½	+25½
Safeway†	8,100	331	
Sainsbury†	5,800	378	+5½
Schroders†	83	1720	+20
Scottish & New.†	2,200	708	+8½
Scot. Hydro-Elect.	726	399½	
Scottish Power†	2,800	388½	+2
Sears	12,200	78	+1½
Securicor	3,800	295	-½
Severn Trent†	1,200	781½	+20½
Shell Transport†	7,500	1157	+15½
Siebe†	3,500	987	+16
Slough Ests	321	317½	-4½
Smith (W.H.)	4,800	470½	-9½
Smith & Nephew†	1,300	178¾	+1
SmKl Beecham†	8,300	1064	+22
Smiths Inds.†	590	772½	-1
Southern Elect	713	431½	-4½
South West Water	331	698½	+8
Stagecoach	646	819½	+3
Standard Chartd.†	3,600	1006½	+2
Storehouse	2,100	205½	-3
T&N	2,700	128½	-½
TI Group†	1,400	593	-1½
Tarmac	1,600	125½	+½
Tate & Lyle†	2,900	455½	+2
Taylor Woodrow	877	211	-2
TeleWest Comms	1,100	79½	-3
Tesco†	4,800	380	-2
Thames Water†	1,300	688½	+9½
Thistle Hotels	2,600	169	+3½
Thorn	1,900	163½	-1½
Tomkins†	5,200	275	+1
Unigate	334	492½	+2½
Unilever†	3,500	1702½	+1½
United Biscuits	470	222	+1
Utd. News & Media†	1,000	770	-1½
United Utilities†	1,900	690	+5½
Vodafone†	7,500	281½	-5
WPP	2,000	232	+1
Wessex Water	347	392½	+4
Whitbread†	1,900	801½	
Williams Hldgs.	2,500	316½	-1½
Wimpey	84	139	+½
Wolseley†	1,600	476½	-½
Yorkshire Elect	3	926½	
Yorkshire Water	68	375½	+4½
Zeneca†	1,300	1967½	+24½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are ... Source: Extel ...

St. George Bank Limited
(incorporated in New South Wales)
A.C.N. 055 513 070

U.S. $100,000,000
Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period 13th May, 1997 to 13th August, 1997 the Notes will carry a Rate of Interest of 6.325% per annum. The Interest Amounts payable will be U.S. $161.64 per U.S. $10,000 Note and U.S. $1,616.39 per U.S. $100,000 Note. The Interest Payment Date will be 13th August, 1997.

Bankers Trust Company, London — Agent Bank

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 13 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (May 13 / Frs.)

[illegible]

CZECH REP (May 13 / Koruna)

[illegible]

DENMARK (May 13 / Kr)

[illegible]

FINLAND (May 13 / Mkk)

[illegible]

FRANCE (May 13 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	190.50	-1.10	231.40	138.20	2.6	18.9
Accor	883	-1	883	606	2.3	25.8
AirLiq	895	-2	944	759	1.8	23.8
Alctel	666	+23	695	888	1.5	40.0
ArjPri	1,850	...	1,749	1,200	1.4	...
Axa	371.80	+1.60	381.10	262.80	2.0	22.4
BIC	889	-10	980	582	1.2	38.7
BNP	249.20	+3.30	279	177	2.2	13.4
Bocair	753xd	-8	815	487.20	1.3	...
BFaure	284	+10.50	301	188	1.4	16.0
Bongrn	2,270	+44	2,630	1,995	2.7	13.4
Bygues	530	-7	618	444.80	3.2	18.5
CEP	1,769	+4	1,848	1,118	3.1	—
Canal+	1,055	-9	1,338	982	2.8	—

[illegible]

GERMANY (May 13 / Dm.)

[illegible]

GREECE (May 13 / Drachma)

[illegible]

ITALY (May 13 / Lire)

[illegible]

NETHERLANDS (May 13 / Fls.)

[illegible]

NORWAY (May 13 / Kroner)

[illegible]

POLAND (May 13 / Zloty)

[illegible]

PORTUGAL (May 13 / Escudo)

[illegible]

SPAIN (May 13 / Pts.)

[illegible]

SWEDEN (May 13 / Kronor)

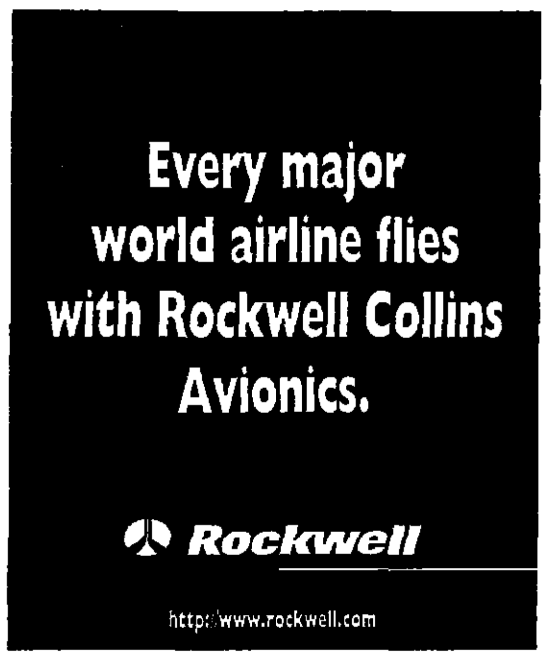
[illegible]

SWITZERLAND (May 13 / Frs.)

[illegible]

TURKEY (May 13 / Tk Lira)

[illegible]



PACIFIC

JAPAN (May 13 / Yen)

[illegible]

AUSTRALIA (May 13 / Aus$)

[illegible]

HONG KONG (May 13 / H.K.$)

[illegible]

INDONESIA (May 13 / Rupiah)

[illegible]

MALAYSIA (May 13 / MYR)

[illegible]

NEW ZEALAND (May 13 / NZ $)

[illegible]

SINGAPORE (May 13 / S$)

[illegible]

SOUTH KOREA (May 13 / Won)

[illegible]

TAIWAN (May 13 / TW $)

[illegible]

THAILAND (May 13 / Baht)

[illegible]

NORTH AMERICA

CANADA

TORONTO (May 13 / Can $) 4 pm close

[illegible]

MONTREAL (May 13 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (May 13 / Rand)

[illegible]

Prices supplied by Telekurs, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	May 13	May 12	May 9	1997 High		1997 Low	
Argentina							
General(29/12/77)	(c)	21324.37	21290.11	21551.32	24/2	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2534.3	2524.8	2526.0	2534.30	13/5	2362.29	1/4
All Mining(1/1/80)	924.1	917.1	908.7	987.10	24/2	878.49	16/4
Austria							
Credit Aktien(30/12/84)	418.17	419.58	415.91	419.59	12/5	374.40	9/1
Traded Index(2/1/91)	1256.17	1259.44	1241.04	1259.44	12/5	1130.22	9/1
Belgium							
BEL20(1/1/91)	2242.94	2242.37	2225.98	2254.87	5/5	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(c)	10681.0	10492.0	10681.00	12/5	0.00	29/4
Canada							
Metals Mnls♦(1975)	(c)	5519.33	5467.57	5891.75	10/3	4945.98	11/4
Composite♦(1975)	(c)	6272.60	6229.50	6332.99	10/3	5579.30	14/4
Portfolio§§(4/1/83)	(c)	3176.21	3158.57	3214.10	10/3	2846.02	11/4
Chile							
IGPA Gen♥(31/12/80)	(c)	5376.09	5388.98	5443.52	25/2	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	564.92	560.88	557.07	564.92	13/5	479.14	2/1
Finland							
HEX General(28/12/90)	3011.45	2986.08	3006.65	3031.84	6/5	2483.28	2/1
France							
SBF 250(31/12/90)	1808.50	1793.81	1765.29	1816.36	10/3	1533.19	2/1
CAC 40(31/12/87)	2719.58	2693.09	2633.91	2719.58	13/5	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1226.98	1217.99	1216.76	1226.98	13/5	986.21	2/1
Commerzbank(1/12/53)	3605.70	3585.50	3572.20	3605.70	13/5	2875.80	2/1
DAX‡(30/12/87)	3595.15	3575.87	3582.41	3595.15	13/5	2848.77	2/1
Greece							
Athens SE(31/12/80)	1602.14	1595.54	1569.59	1602.14	13/5	954.54	2/1
Hong Kong							
Hang Seng(31/7/64)	13906.46	13987.80	13930.90	13987.80	12/5	12055.17	3/4
India							
BSE Sens.(1979)	3701.96	3735.25	3769.34	3944.61	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	672.86	675.81	673.68	712.80	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3209.79	3204.84	3193.18	3209.79	13/5	2726.07	2/1
Italy							
Banca Comm Ital(1972)	772.90	767.17	770.65	797.71	10/2	642.65	2/1
MIB General(2/1/97)	1163.0	1155.0	1160.0	1197.00	10/2	994.00	2/1
Japan							
Nikkei 225(16/5/49)	20129.11	20143.51	19802.78	20180.92	6/5	17303.65	10/1
Nikkei 300(1/10/82)	291.03	288.86	287.22	293.64	6/5	261.04	27/1
Topix(4/1/68)	1500.57	1493.45	1478.04	1509.13	6/5	1320.82	10/4
2nd Section(4/1/68)	1720.25	1707.33	1715.43	1829.21	6/1	1516.60	15/4
Malaysia							
KLSE Comp.(4/4/86)	1084.55	1088.52	1107.37	1271.57	25/2	1059.91	29/4
Mexico							
IPC(Nov 1978)	(c)	3930.09	3873.38	3938.69	25/2	3359.49	2/1
Netherland							
CBS TtlRtnGen(End 83)	920.0	919.4	910.4	920.00	13/5	730.80	2/1
CBS All Shr(End 83)	535.0	534.6	529.4	535.00	13/5	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2303.16	2300.20	2312.28	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1895.04	1886.00	1874.15	1941.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2577.11	(c)	2571.39	3447.80	3/2	2505.65	2/5
Portugal							
BVL 30(4/1/93)	2896.08	2899.26	2885.71	2899.26	12/5	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	513.99	510.63	504.37	573.03	17/2	479.84	29/4
South Africa							
JSE Gold(28/9/78)	1275.4♥	1267.8	1237.6	1588.10	27/2	1181.80	2/5
JSE Indl.(28/9/78)	8474.7♥	8476.1	8501.2	8669.70	6/5	7859.50	2/1
South Korea							
KoreaCompEx‾(4/1/80)	683.86	672.10	667.82	721.00	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	548.00	544.31	531.68	548.00	13/5	434.54	2/1
Sweden							
AffarsvarldsGen(1/2/37)	2805.6	2798.5	2780.2	2832.40	10/3	2378.50	2/1
Switzerland							
SMI Index♣(1/7/88)	5084.2	5042.5	5004.7	5084.20	13/5	3822.90	7/1
SPI General♣(1/6/87)	3212.87	3187.48	3167.59	3212.87	13/5	2508.22	6/1
Taiwan							
WeightedPr.‾(30/6/66)	7952.12	7986.64	8233.37	8681.72	28/4	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	600.24	592.18	605.43	858.87	22/1	592.18	12/5
Turkey							
IMKB Nat 100(1986)	1408.00	1395.00	1443.00	1654.88	21/3	995.00	2/1
WORLD							
MS Capital Intl$(1/1/70)	893.3*	892.3	879.1	898.30	13/5	794.60	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2315.77	2294.96	2287.77	2315.77	13/5	1988.80	2/1
Euro Top-100(26/6/90)	1993.47	1981.23	1952.89	1993.47	13/5	1582.99	2/1
HSBC JC Dgs(31/12/88)	(c)	405.23	406.35	429.46	20/1	381.54	29/4
ING Bngs Emrg(7/1/92)	176.74	174.62	175.93	181.33	28/2	158.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
May	2694.0	2709.0	+25.0	2721.0	2687.0	16,875	24,023
Jun	2672.5	2684.5	+25.0	2696.0	2664.5	663	23,853
■ DAX							
Jun	3608.0	3584.0	-29.5	3619.0	3581.0	21,182	-
Sep	3633.0	3590.0	-30.5	3641.5	3588.5	1,408	-
■ OMX							
May	2190.00	2179.00	-1.00	2198.00	2175.00	6,422	25,198
Jun	2197.00	2186.50	-2.50	2203.75	2183.00	3,970	2,436
■ SOFFEX							
May	5062.0	5081.0	+36.0	5090.0	5049.0	11,487	23,152
Jun	5041.0	5070.0	+39.0	5070.0	5041.0	4,814	6,902

‾ Sat May 10: Taiwan Weighted Price 8274.18; Korea Comp Ex 676.98. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SVL30, SBF250, CAC40, SPL Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 25 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 13 - 3559.29 -33.85. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♣ Switzerland: the SMI & SPI General indices have replaced the Swiss Bank & SBC General indices in our table. ♥ Subject to official recalculation.

US INDICES

Dow Jones	May 12	May 9	May 8	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7292.75	7169.53	7136.62	7292.75 (12/5)	6391.69 (11/4)	7292.75 (12/5/97)	41.22 (8/7/32)
Home Bonds	102.05	102.22	101.99	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2634.80	2601.20	2617.23	2634.80 (12/5)	2222.07 (2/1)	2634.80 (12/5/97)	13.23 (8/7/32)
Utilities	224.54	223.66	223.94	240.66 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7317.48 (7235.76) Low 7158.35 (7079.63) (Theoretical♣)
Day's high 7296.45 (7196.02) Low 7169.12 (7094.48) (Actual♣)

Standard and Poors	May 12	May 9	May 8	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	837.66	824.78	820.26	837.66 (12/5)	737.01 (2/1)	837.66 (12/5/97)	4.40 (1/6/32)
Industrials♥	985.56	969.97	965.13	985.56 (12/5)	865.42 (11/4)	985.56 (12/5/97)	3.52 (30/6/32)
Financial	94.77	93.31	92.35	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	435.57	428.23	426.90	435.57 (12/5)	389.47 (11/4)	435.57 (12/5/97)	4.64 (25/4/42)
Amex Comp.	578.47	573.78	570.95	603.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1344.19	1335.05	1330.83	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 9	May 2	Apr 25	Year ago
Dow Jones Ind. Div. Yield	1.71	1.73	1.82	2.20
	May 7	Apr 30	Apr 23	Year ago
S & P Ind. Div. yield	1.72	1.75	1.80	1.92
S & P Ind. P/E ratio	23.33	22.89	22.19	21.26

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Gen Elect	7,627,400	59⅞	+1½
Micron Tc	6,073,300	36¾	-1⅛
Ford Motor	5,678,400	37⅛	+½
Hewlett-Pc	5,409,700	58¾	+2¾
Motorola	5,099,600	63¾	+1⅞
Philip Mr	5,084,700	42½	+⅛
Westinghs	5,059,800	16¼	-¼
Pepsico	4,796,400	36⅞	+⅜
Chrysler	4,455,400	31⅞	+⅝
Time Wrn	4,289,000	45¼	+1⅛

■ TRADING ACTIVITY

● Volume (million)

	May 12	May 9	May 8
New York SE	462.737	456.619	534.105
Amex	18.414	17.285	20.156
NASDAQ	544.670	582.906	632.633
NYSE			
Issues Traded	3,349	3,332	3,331
Rises	1,772	1,532	1,409
Falls	764	937	1,103
Unchanged	813	863	819
New Highs	167	109	109
New Lows	14	10	16

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	841.30	840.10	-1.25	844.90	840.10	69,696	186,673
Sep	849.50	850.90	+1.00	850.90	848.80	915	8,660

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	20290.0	20180.0	-10.0	20490.0	20130.0	27,908	236,680
Sep	20380.0	20310.0	+290.0	20410.0	20290.0	70	8,136

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, May 13, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	16.6m	255	-8	NKK Corp	6.9m	265	-3
Nippon Steel Cp	9.1m	373	-3	Navix Line	6.9m	224	+19
Bk Tk-Mitsubishi	8.2m	2100		Sakura Bank	6.7m	730	+21
Mitsui Osk Lines	7.9m	248	+10	Ind Bk of Japan	6.5m	1460	+70
Nomura Secs	7.0m	1550	-20	Sumitomo Bank	5.8m	1610	+40

4 pm close May 13

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.5	24	563	31½	31⅛	31¼	-⅛
43	33⅛	AMP x	1.04	2.6	31	4366	39¾	39⅛	39¾	-½
95⅞	78¼	AMR			7	6626	u96⅜	94½	95⅞	+1⅛
37⅞	31⅝	ASA	1.20	3.6	22	247	33½	33⅛	33⅜	
64	49¾	AbbtL x	1.08	1.7	25	10701	u64⅜	63½	64¼	+½
17½	14⅛	AbitIbl Pr	0.40	2.3	8	795	u17½	17⅛	17¼	-¼
19¾	17⅜	ABM Ind	0.40	2.1	17	186	19¼	19	19	-¼
23	17¾	Acplncoln			9	118	19¾	19⅝	19⅜	-⅜
66⅞	56¼	ACE Ltd	0.86	1.4	10	5703	62¼	61	61½	-¾
10⅜	10	ACM Gvt In x	0.90	8.6	11	230	10¼	10⅛	10¼	+⅛
7⅝	7	ACM GvOpp x	0.63	8.3		181	u7⅝	7½	7⅝	+⅛
9⅞	8¼	ACM MgIn x	0.80	9.4		186	9⅝	8½	8⅝	
10⅛	6¼	Acme Elect				49	6⅞	6¾	6⅞	+¼
20	13¼	Acme Mkts				249	13½	d13	13¼	-¼
17⅞	14	ACNielsen			29	704	16⅝	16⅝	16½	
33	27¼	Acordia	0.80	2.5	15	231	32⅛	32	32⅛	+⅛
29¾	21⅛	Acuson				1261	25	24½	24¾	-⅛
21⅞	19⅜	Adams Expr	0.55	2.5	1	166	u21⅝	21½	21⅝	
48½	24⅞	AdvMic				11086	44⅛	42⅝	43¾	+⅝
15	10⅜	Advest Grp	0.03	0.2	10	209	14⅝	14⅝	14⅝	+¼
14⅝	11⅝	Advo Inc			16	505	13¾	13⅜	13¾	+¼
73⅞	61⅛	Aegon x	1.45	2.0	20	33	72⅜	72⅛	72⅛	-1⅜
5⅛	3⅛	AerBx				413	3⅝	3½	3⅝	
43⅛	33	Aero-V x	0.80	1.9	12	1225	41⅝	41¼	41⅜	-½
68	48	AES Corp				20	65¾	65¾	65¾	
100⅛	73	Aetna x	0.80	0.8	55	6514	u100⅞	98⅝	98⅝	-⅜
45⅞	37½	Aflac$	0.46	1.0	16	1596	45¾	45⅛	45⅝	+½
31⅝	18¾	AGCO	0.04	0.1	12	z0	29¾	29¾	29¾	+¼
21⅝	18⅜	AGL Res	1.08	5.5	13	461	19⅞	19½	19⅝	-⅜
45¼	32	Ahmson x	0.88	2.2	28	8519	40⅜	39¾	40	

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FT

FINANCIAL TIMES

NYSE PRICES

4 pm close May 13

Continued from previous page

45⅞	40½	Xtra Corp x	0.80	1.8	17	117	44½	44	44¼	
23⅞	20¾	Yankee Egy	1.30	6.0	13	82	21⅞	21¾	21¾	
56	37⅞	York Int	0.48	1.0	14	508	47⅝	47	47⅜	
5	4	Zapata				39	4⅜	4¼	4⅜	+⅛
13⅛	9⅛	ZnithEl				741	11¼	10⅞	10⅞	-¼
27⅞	24⅞	Zenith Nat x	1.00	3.8	14	206	26⅝	26¼	26⅜	-⅜
7½	7⅛	Zenix Inc	0.73	9.8		165	u7½	7⅜	7½	
23¾	17¾	Zero x	0.12	0.6	16	418	20¾	19¾	20⅝	+1⅛
11½	10¾	ZweigFd	1.16	10.1		247	u11½	11⅜	11½	
8¾	8	Zweig Toll x	0.84	9.7		421	8⅝	8½	8⅝	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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AMEX PRICES

4 pm close May 13

NASDAQ NATIONAL MARKET

4 pm close May 13

- J -

Jones Int			159	9½	9¼	9½	+¼
Jones Med	0.08	45	2178	35⅝	34½	35¼	-¾
JSB Fin x	1.40	16	116	u44½	42	42⅞	+1⅝
Juno Ltg	0.32	13	48	15¾	15¼	15½	+⅛
Justin	0.16	13	168	11⅝	11⅜	11 13/32	-3/32

- K -

K Swiss	0.08	331	36	13¼	12¾	13¼	-⅛
Kaman Cp	0.44	24	1495	14⅛	13	13¼	-¾
Kelly Sv	0.84	14	371	28¼	27⅝	28⅛	+½
Kimball	1.04	13	499	38¼	37⅝	38	+15/32
KLA-Tn		25	10125	49	46⅞	47 13/16	-½
Koll A			15	1/32	1/32	1/32	
Komag		21	18620	35	33½	34⅝	-½
Kulicke S			4604	33	31⅛	31¼	-1½

- Q -

Presstek		124	777	67½	64½	65⅞	
PridePt		9	4815	19⅛	18½	18⅞	-¼
Printronl		15	207	13	12⅝	13	+¼
Prod Ops x	0.28	31	363	61⅞	60¾	61½	-¾
Qualcomm		103	10190	51	50	50¾	+¼
Qual Food		21	z0	39⅛	39⅛	39⅛	-⅛
Quantum		28	46877	48½	45	45½	-1 7/16
QuickslSv		15	238	25¾	24¼	24¾	-⅛
Quintiles		187	2611	58½	54¼	56⅛	+1⅞

- R -

Rainbow		12	238	15⅞	14¾	15⅛	-½
Rallys			77	3 1/16	2⅞	2 31/32	+1/32
Raymond	0.25	15	73	30½	30⅛	30¼	-¼
RCSB Fin	0.60	12	3099	35⅛	33½	33¾	
Read-Rite		24	870	27⅜	25½	26	-1

WestSeaA		20	1576	39¼	38¾	38⅞	-3/32
Wst SealA		23	1279	28	27	27	-1⅜
WmsSonoma		37	950	32⅞	32	32½	+½
Wolohan L	0.28	12	13	12⅛	12	12⅛	-⅜
Worldcm			50493	26¼	25¾	26	-⅛
Wrthgtn	0.48	19	4108	18½	17⅞	17⅞	-½
WPP ADR	0.10	22	406	41	40⅝	41	+⅛
Wyman-Gdn	0.40	28	1701	22½	22	22¼	+⅛

- X - Y - Z -

Xilinx		37	17339	54⅞	53	53⅞	-11/16
Xircom		18	4171	12⅞	12⅛	12 5/16	-7/16
Xoma Corp			1961	5⅛	4 15/16	5	+1/16
Yellow			1553	20⅜	19	19⅛	-1⅛
York Rsch		16	205	8 1/16	7⅞	7⅞	-3/16
ZionsUtah	1.76	19	163	135⅞	134⅛	135 11/16	+1 7/16

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7	-0.125	5890	8.25	7	Esprit Telecom ADS	US$5.375		200	12.25	5.375
Adwork Systems	US$10.625		7000	11	9.5	Innogenetics	US$11.375		14150	12.75	10.375
Chemunex	FFr16		10000	18	16	Mercer Internatl.	US$9.75	-0.125	0	11.75	8.125
Dr Solomon's ADS	US$22.5		0	26.5	18.875	PixTech	US$4.5	+0.125	0	6.125	4.25

Prices for 13/5/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

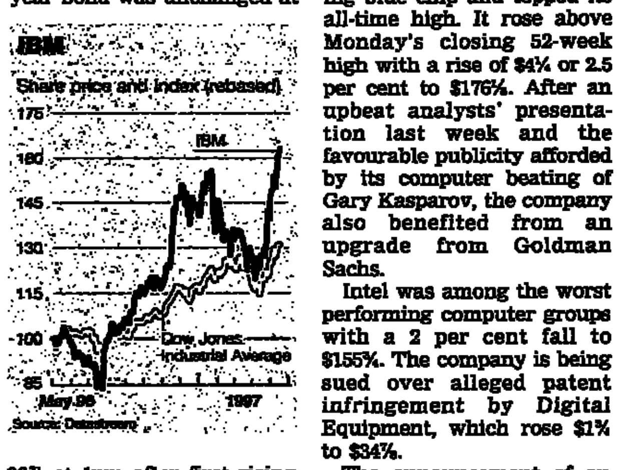
US shares see-saw to new high

AMERICAS

Wall Street recovered by lunchtime from a slight pause in early trading to add to Monday's record breaking performance, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average rose 22.66 to 7,315.41 in spite of showing a decline for most of the morning.

Its fluctuations mirrored those of the bond market where the benchmark 30-year bond was unchanged at 96$\frac{21}{32}$ at 1pm after first rising and then falling in the morning on conflicting economic data.



Mr Thomas van Leuven, investment strategist at J.P. Morgan, said that the equity market was more sensitive to economic data and bond market fluctuations after the first-quarter reporting season. He said that yesterday's initial fall was caused by a "little bit of profit-taking and a little bit of breath-taking", but that gains in the bond market had helped lift sentiment.

J.P. Morgan was expecting the market to take what it calls a "seventh innings stretch", during which its recent strong performance would slow down. "Over the next couple of quarters we don't expect a whole lot more," Mr van Leuven said.

Other markets were relatively flat. The S & P 500, the more broadly based big company index, eased 0.25 to 837.91 after Monday's all-time high. A mixed performance among technology stocks helped to slightly depress the technology-driven Nasdaq composite index, down 0.38 at 1,343.81 by 1pm.

IBM was the best performing blue chip and topped its all-time high. It rose above Monday's closing 52-week high with a rise of $4¼ or 2.5 per cent to $176¼. After an upbeat analysts' presentation last week and the favourable publicity afforded by its computer beating of Gary Kasparov, the company also benefited from an upgrade from Goldman Sachs.

Intel was among the worst performing computer groups with a 2 per cent fall to $155¾. The company is being sued over alleged patent infringement by Digital Equipment, which rose $1¾ to $34¾.

The announcement of an agreed $320m takeover by Tyco International, the diversified industrial group, pushed Inbrand shares up 62 per cent to 26\frac{5}{16}$. The offer valued the company at $27.20 a share.

TORONTO moved lower in subdued volume. At noon, the 300 composite index was off 4.18 at 6,268.40.

Leading stocks were dull. Northern Telecom, a strong market lately, ran into clear profit-taking, losing C$1.05 to C$107.

Golds stayed soft with Barrick Gold retreating 55 cents to C$34.50. Among smaller stocks, Corriente Resources fell C$3.15 to C$7 after assays of a Peruvian gold project fell short of investor expectations.

Mexico City turns up

MEXICO CITY overcame early weakness to climb higher at midsession although trading remained cautious as investors kept an eye on Wall Street. . The IPC index gained 16.30 at 3,946.39.

Bancomer, which made a weak start, was 1 centavo stronger at 2.88 pesos in heavy late morning trade. Telmex also saw an early pullback after Monday's record close in peso terms. By noon, the shares were 2 centavos higher at 17.36 pesos.

Televisa, the media group, lost 1.30 pesos at 97.70 pesos after Monday's news of a management reshuffle. Dealers noted that the stock had been volatile since the unexpected retirement and sudden death on April 16 of its long-serving chairman, Mr Emilio Azcarraga Milmo.

SAO PAULO was little moved by allegations that deputies were paid to vote in favour of a parliamentary amendment that would allow the president to stand for re-election. The Bovespa index was 17 higher by midsession at 10,698.

South Africa ends mixed

Shares in Johannesburg had a mixed session, with golds continuing to edge higher in contrast to the trend among industrials where disappointing results from South African Breweries put a dent in sentiment.

At the close, the all-share index was 2.8 ahead at 7,193.1, thanks mostly to another solid-looking day for the bullion price which lifted the golds index by 7.6 to 1,275.4. Industrials came off 1.4 to 8,474.7.

South African Breweries caught the market on the hop with full-year earnings that fell some 2 per cent short of the middle range of analysts' forecasts. The shares ended R3.25 lower at R130.

Among golds, Dries gained 50 cents to R41 and Vaal Reefs added R4.50 to R280 for a two-day advance of nearly 5 per cent. Western Deep rose R2.00 to R129, a two-session gain closer to 9 per cent.

St Gobain, Alcatel in lead as Paris peaks

EUROPE

Bourses were a mixed bag as New York's overnight exuberance turned to introspection; but **PARIS** notched up a new all-time peak in spite of closing off the top.

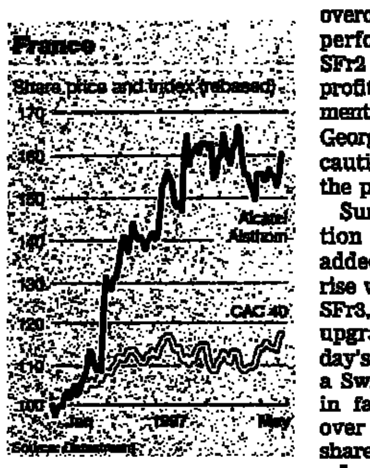
Volume was 16.3m shares, the best for some weeks, and the CAC 40 index gained 26.49 at 2,719.58. Saint Gobain provided firepower, jumping FFr36 or 4.5 per cent to FFr830 on what was said to be a shortage of stock. There was also vague talk that the group's 6.3 per cent stake in Suez could shortly go up for sale.

Alcatel surged by nearly 5 per cent at one stage before subsiding to FFr668, an *increase of FFr23, in 1.4m* shares. There was good news on first-quarter sales and something of a buzz on the Thomson-CSF front.

Mr Serge Tchuruk, Alcatel chairman, said that any takeover of Thomson would not be earnings dilutive. He also confirmed that Daimler Benz Aerospace would be brought into joint venture talks should his bid succeed.

Oils were also buoyant, helped by oil price strength. Total rose FFr17 to FFr519, and Elf Aquitaine gained FFr7 to FFr588 after Standard & Poor's raised its debt rating on the group from "negative" to "stable".

Danone added FFr13 to



FFr893 ahead of tomorrow's meeting with analysts. LVMH, which will swap its 14 per cent in Guinness for 6 per cent of the enlarged group, gained FFr4.00 to FFr1,450 for a two-day advance of 5.2 per cent.

ZURICH saw strong demand for index stocks which took the SMI up 41.7 to 5,084.2, a second consecutive record close.

Roche certificates added SFr175 at SFr12,905. Novartis rose SFr26 to SFr2,009 as it concluded the $910m purchase of the crop protection business of Merck of the US, and said that it would concentrate its pharmaceutical production in fewer factories in Europe.

UBS picked up SFr34 to SFr1,439 as the bank tried to overcome its recent underperformance. SBC, down SFr2 to SFr344.50, ran into profit-taking in spite of comments by the chairman, Mr Georges Blum, that he was cautiously optimistic about the prospects for 1997.

Surveillance, the inspection and testing group, added to Monday's SFr65 rise with another of SFr85 at SFr3,200 as Goldman Sachs upgraded the stock. Monday's rise followed news that a Swiss tax panel had ruled in favour of the company over the tax treatment of share buy-backs.

In industrials, Alusuisse soared SFr40 to SFr1,295 on a new round of old rumours about a possible spin-off. But Holderbank, the cement manufacturer, fell SFr18 to SFr1,222 on a CS First Boston downgrade.

Other all-time highs were set in **MADRID**, where the general index rose another 3.68 to 548.00 ahead of today's Spanish inflation data for April; in **DUBLIN**, where Irish financials continued to attract strong interest as investors took their lead from London, and where the ISEQ overall index closed 35.77 higher at 3,240.61; and in **COPENHAGEN**, an early closer, which got the best of the US influence along with strength in its own banking sector behind a KFX index gain of 1.92 or 1.2 per cent to 163.03.

FTSE Actuaries Share Indices

May 13							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2312.07	2313.73	2314.28	2316.56	2318.20	2315.71	2314.58	2315.77
FTSE Eurotrack 200	2353.61	2355.82	2359.41	2364.50	2364.89	2364.49	2363.40	2360.31

	May 12	May 9	May 9	May 8	May 7
FTSE Eurotrack 100	2294.96	2287.77	2287.77	2288.39	2288.19
FTSE Eurotrack 200	2342.13	2329.46	2329.46	2320.34	2328.20

Base value 1000 (26/10/90); High/day: 100 - 2318.45, 200 - 2367.23 Low/day: 100 - 2311.54 200 - 2352.41. † Partial.

FRANKFURT tried to fly again, but the Dax index came back more than 50 points from a morning high of 3,611.10 to close 33.85 down on the day at 3,559.29.

Mr Jens Wiecking, from Prof Dr von Dolff & Partners in Düsseldorf, said that there had been no fundamental news that was negative; German investors had simply thought it time to take profits in recent high flyers like Deutsche Telekom, Siemens and Volkswagen.

At Merck Finck, in Munich, Mr Jürgen Gries said the German market was now on a 1997 p/e of 18 and that while domestic investors were not willing to sell, they were disturbed by the elections in France and potential delays in European monetary union.

Turnover held up at DM14.3bn, compared with DM14.4bn on Monday. Deutsche Telekom fell DM1.33 or 3.2 per cent to DM39.80 after its first quarter figures; early analytical comment was bullish, but Mr Wiecking said that, adjusting for special factors in the first quarter of 1996, the figures were not so impressive and even slightly disappointing.

In carmakers, raised share price targets for Volkswagen, among others, reminded investors that VW had more than doubled this year and the stock fell DM33.50 to DM1,150.50; and while Siemens was upgraded to hold by HSBC James Capel, which saw increased potential for divestments and divisional restructuring after after a meeting with the company, the shares fell DM2 to DM100.10.

AMSTERDAM gave up early gains in mid-afternoon to end with the AEX index off 2.05 at 786.03. Financials led the way down. Fortis Amev lost Fl 1.60 to Fl 75.40 while, ahead of tomorrow's first-quarter results, Aegon gave up Fl 1.70 to Fl 138.60.

On the upside, Philips gained 30 cents to Fl 106.50 in 2.8m traded after Goldman Sachs upgraded the electronics giant to a "trading buy". Royal Dutch improved Fl 3.60 to Fl 364.80 in advance of today's annual meeting.

Tech stocks bounced, helped by IBM's initial surge on Wall Street. Baan jumped Fl 2.80 to Fl 117.60 and ASM Lithography rose Fl 1.90 to Fl 94.

MILAN edged higher, but in subdued trade, as sporadic profit-taking pulled the market back from its best levels. The Comit index rose 5.73 to 722.90 while the real-time Mibtel index turned back from a high of 12,392 to close 13 higher at 12,327.

Generali, the insurer, provided an early lead on higher than expected 1996 earnings and first-quarter indications, closing L900 higher at L30,656.

Unicem was suspended pending news that Ifil, the Agnelli family holding company, would sell a 20.5 per cent stake to its fellow cement maker, Fratelli Buzzi, for L245bn, equivalent to a price of L18,800 per Unicem share compared with Monday's closing price of L12,467. Ifil gained L160 to L5,285.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Hong Kong eases after nine winning sessions

ASIA PACIFIC

Profit-taking pulled **HONG KONG** back after nine consecutive winning sessions and the Hang Seng index finished 81.34 lower at 13,906.46. Turnover dipped to HK$15.2bn from Monday's record HK$18bn.

The index gained 1,387.38 points or 11 per cent during its nine-session rally.

HSBC, which had led the market to a series of recent record highs, gave back HK$1 at HK$217.

Hongkong Telecom, however, gained 10 cents to HK$15.20 on expectations that its parent company, Cable & Wireless, might have news about its Telecom stake when it released full-year results today.

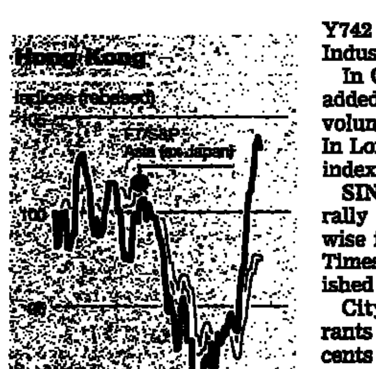
TOKYO took profits in blue chips: last minute selling of Nikkei 225 average constituents erased earlier gains and dragged the key index back from a new 1997 intra-day high although other equity indices advanced, *writes Gwen Robinson.*

The 225 index closed 14.40 weaker at 20,129.11, just above its low of 20,119.61 and more than 300 points below the day's high of 20,452.35.

New York's record overnight advance and the dollar's rebound to Y119 were positive influences, and foreign investors remained heavy net buyers of blue-chip electricals and domestic financials; but traders noted intermittent profit-taking by domestic institutions.

Volume swelled from 415m shares to an estimated 559m. In spite of the fall in the 225, advances led declines by 725 to 413 with 131 unchanged. The Topix index of all first-section stocks gained 7.22 to 1,500.67 and the capital-weighted Nikkei 300 was up 1.17 at 291.03.

Sony led blue-chip exporters for most of the day,



reaching a record high of Y9,990 at one stage before closing at Y9,730, up Y160. Other leading electrical and high technology issues also see-sawed through the day to end mostly higher. Canon rose Y10 to Y3,010, TDK Y90 to Y9,040 and Pioneer Electronic Y20 to Y2,310. Carmakers, however, suffered from profit-taking with Honda down Y110 at Y3,840 and Toyota by Y70 at Y3,670.

Financials benefited from growing interest among foreign investors, who offloaded the sector in February and March at the height of concern about the problems plaguing Japan's financial system. Industrial Bank of Japan jumped Y70 to Y1,480, Dai-Ichi Kangyo Y40 to Y1,560 and Sakura Y21 to Y730.

However, Nippon Credit Bank, the most active issue for the second consecutive day, fell Y8 to Y255. And securities houses were mixed. Daiwa Securities rose Y25 to Y896 while Nomura Securities, now facing legal action on charges of illegal trading activities, fell Y20 to Y1,550.

Among domestic demand-led stocks to benefit from the dollar's recent decline against the yen, papermakers stayed on a winning streak. Oji Paper added Y9 to Y742 and Nippon Paper Industries rose Y25 to Y685.

In Osaka, the OSE average added 179.21 to 21,023.14 and volume rose to 25m shares. In London, the ISE/Nikkei 50 index gained 4.59 at 1,595.98.

SINGAPORE saw a late rally at the end of an otherwise flat day and the Straits Times Industrial index finished 11.49 higher at 2,112.97.

City Developments warrants led the gains, rising 30 cents to S$10.70, while losers were topped by Creative Technology, down S$2.10 at S$26.90 on profit-taking.

KUALA LUMPUR saw further weakness in motor stocks in response to the strength of the yen.

The composite index eased 3.97 to 1,084.55.

Hicom Holdings, which controls Proton, the national car maker which buys in a large proportion of its components from Japan, lost 7 cents to M$4.98. Proton fell 10 cents to M$13.50.

SEOUL rallied strongly in a technical rebound which saw the composite index add 11.76 or 1.8 per cent to 683.86.

Export-related shares, which stand to gain from the yen's strength against the dollar, rebounded strongly. LG Electronics rose Won500 or 5 per cent to Won10,600, while Yukong jumped Won900 or 6.2 per cent to Won15,400.

Strong demand from US individual investors took Daewoo Heavy Industries Won430 limit-up to Won5,830.

Hanwha Merchant Bank rose by its daily limit to Won16,400 on speculation that a court ruling could prompt an internal takeover battle between its two largest shareholders.

TAIPEI ended lower as political concerns finally got the better of a see-saw session. The weighted index eased a further 14.52 to 7,952.12.

Dealers said there was some bargain hunting after Monday's 3.7 per cent setback but that sentiment remained deeply troubled by the political row over the planned cabinet reshuffle.

BANGKOK rallied on bargain hunting. The SET, which has come down from 717 since mid-April, added 8.06 to 600.24. Most of the buying was concentrated on leading stocks. Thai Telephone rose Bt1.00 to Bt12.

SYDNEY moved higher, helped by an active banking sector. The All Ordinaries index added 9.5 to 2,534.3.

Strong results from St George's were said to have enhanced sector earnings expectations. Westpac rose 8 cents to A$7.50 and ANZ 9 cents to A$8.49. Commonwealth jumped 19 cents to A$14.55. A profits warning sent Amcor, the paper group, skidding 18 cents lower to A$8.45.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 12 1997								FRIDAY MAY 9 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	230.81	-0.1	210.62	172.88	204.04	197.13	-0.1	3.86	230.92	211.41	177.84	203.30	197.30	230.92	188.44	208.59
Austria (24)	192.22	0.8	175.40	143.97	169.92	169.87	1.2	1.87	190.78	174.66	146.76	167.96	167.91	195.04	174.70	185.51
Belgium (26)	247.60	0.4	225.94	185.46	218.88	214.30	0.8	3.34	246.62	225.78	189.72	217.12	212.63	247.60	205.89	205.89
Brazil (30)	256.48	1.4	234.04	192.11	226.73	503.63	1.4	1.46	253.07	231.68	194.68	222.79	496.56	256.48	162.25	162.25
Canada (113)	199.89	0.7	182.40	149.72	176.70	201.16	0.7	1.94	198.59	181.81	152.77	174.84	199.77	203.31	154.12	163.51
Denmark (32)	375.37	0.3	342.54	281.16	331.84	330.62	0.8	1.53	374.08	342.47	287.77	329.33	327.98	375.98	291.89	285.39
Finland (26)	264.93	-0.8	241.75	198.44	234.20	285.79	-0.3	1.80	266.97	244.41	205.37	235.03	286.66	266.58	185.31	187.10
France (91)	224.84	1.6	205.17	168.41	198.76	202.16	2.0	2.82	221.18	202.48	170.15	194.73	198.22	226.25	186.94	195.71
Germany (59)	210.88	-0.1	192.43	157.95	186.42	186.42	0.4	1.52	210.99	193.16	162.31	185.75	185.75	210.99	165.02	165.02
Hong Kong (66)	495.98	0.3	452.60	371.50	438.46	493.12	0.3	3.07	494.40	452.62	380.33	435.26	491.61	514.49	407.55	416.92
Indonesia (27)	236.89	0.9	216.00	178.93	211.18	355.68	0.8	1.54	236.73	216.73	182.11	208.41	352.76	-	-	-
Ireland (16)	342.98	0.2	312.97	256.90	303.19	318.67	0.3	3.00	342.24	313.32	263.28	301.30	317.60	343.35	270.08	279.02
Italy (59)	89.48	0.1	81.65	67.02	79.10	112.70	0.5	2.21	89.44	81.88	68.80	78.74	112.12	96.32	73.26	82.46
Japan (485)	129.28	3.7	117.97	96.84	114.29	96.84	1.0	0.81	124.65	114.11	95.89	109.74	95.89	159.23	107.57	157.21
Malaysia (107)	532.52	-2.2	485.94	398.87	470.76	515.03	-2.0	1.22	544.42	498.42	418.81	479.30	525.76	660.85	512.47	567.65
Mexico (27)	1404.57	1.4	1281.71	1052.05	1241.66	12171.07	1.7	1.19	1385.25	1268.19	1065.65	1219.54	11970.34	1445.68	1110.35	1249.92
Netherland (19)	368.75	0.6	336.50	276.20	325.98	321.93	1.0	2.43	366.61	335.63	282.02	322.75	318.67	368.75	279.88	292.18
New Zealand (14)	87.52	0.6	79.86	65.55	77.37	66.80	-0.6	4.25	86.97	79.62	66.90	76.56	67.20	95.60	75.94	82.00
Norway (41)	300.57	-0.3	274.28	225.13	265.71	289.35	0.4	2.13	301.44	275.96	231.89	265.38	288.25	321.23	243.72	245.74
Philippines (22)	159.02	0.0	145.11	119.11	140.58	209.00	-0.0	0.89	159.03	145.59	122.34	140.01	209.00	-	-	-
Singapore (42)	398.59	3.2	363.72	298.55	352.36	263.58	2.8	1.07	386.14	353.51	297.05	339.95	256.33	448.01	360.08	429.02
South Africa (44)	362.49	-0.0	330.78	271.51	320.45	353.48	0.0	2.39	362.50	331.87	278.86	319.14	353.33	370.12	301.49	357.09
Spain (35)	247.22	2.1	225.59	185.17	218.54	269.40	2.6	2.43	242.07	221.61	186.22	213.11	262.65	247.22	171.81	175.79
Sweden (49)	440.98	-0.1	402.41	330.31	389.84	501.72	0.0	2.08	441.36	404.07	339.53	388.57	501.54	448.64	334.35	345.84
Switzerland (35)	284.04	0.2	259.20	212.75	251.10	252.80	0.7	1.33	283.51	259.55	218.10	249.60	251.05	284.04	229.36	234.82
Thailand (43)	66.40	-2.6	60.59	49.73	58.70	66.80	-2.8	4.67	68.18	62.42	52.45	60.02	68.74	164.18	66.40	164.18
United Kingdom (211)	299.49	1.0	273.29	224.32	264.75	273.29	0.7	3.61	296.40	271.35	228.01	260.94	271.35	299.49	229.63	232.40
USA (652)	338.74	1.5	309.11	253.72	299.45	338.74	1.5	1.80	333.81	305.60	256.79	293.88	333.81	338.74	254.79	265.97
Americas (822)	309.69	1.4	282.60	231.97	273.77	260.66	1.4	1.79	305.31	279.51	234.87	268.78	257.15	309.69	233.09	243.20
Europe (725)	259.31	0.7	236.62	194.23	229.23	239.69	0.8	2.64	257.47	235.71	198.06	226.67	237.66	259.31	204.71	207.70
Nordic (150)	380.85	-0.1	347.63	285.34	336.77	374.34	0.1	1.63	381.48	349.25	293.47	335.85	373.82	385.85	291.45	298.19
Pacific Basin (882)	147.61	2.8	134.70	110.57	130.49	110.60	0.7	1.29	143.62	131.48	110.48	126.44	109.71	171.79	127.18	170.06
Euro-Pacific (1607)	194.21	1.6	177.22	145.46	171.69	159.27	0.8	2.04	191.10	174.95	147.01	168.24	158.01	194.21	173.55	185.63
North America (765)	330.20	1.4	301.32	247.33	291.90	329.62	1.4	1.80	325.52	298.01	250.42	286.58	324.94	330.20	248.65	259.59
Europe Ex. UK (514)	232.07	0.5	211.77	173.83	205.16	216.38	0.9	2.08	230.86	211.35	177.59	203.24	214.38	232.07	186.65	189.23
Pacific Ex. Japan (397)	305.06	-0.0	278.38	228.50	269.68	265.35	-0.1	2.78	305.08	279.29	234.69	268.57	265.52	320.65	268.97	299.94
World Ex. US (1821)	197.48	1.6	180.20	147.91	174.57	165.44	0.8	2.03	194.46	178.03	149.59	171.20	164.14	197.48	176.94	186.84
World Ex. UK (2262)	236.94	1.6	216.22	177.47	209.46	209.33	1.1	1.73	233.28	213.57	179.46	205.37	206.94	236.94	199.58	208.99
World Ex. Japan (1988)	300.34	1.1	274.07	224.96	265.50	290.00	1.1	2.14	297.10	271.99	228.55	261.56	286.75	300.34	233.10	241.19
The World Index (2473)	242.29	1.5	221.09	181.48	214.18	215.14	1.1	1.92	238.96	218.49	183.60	210.11	212.76	242.26	202.32	211.11

CONSTITUENT CHANGES 13/5/97: Name changes: Far East Levingstone to Keppel FELS (Singapore) and Straits Steamship Land to Keppel Land (Singapore). Latest prices were unavailable for this edition. Market closed 12/5/97: Philippines.